

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

## HYFLUX LTD

Registration number : 200002722Z

### Full Year Financial Statements

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

##### 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	1 Jan 05 to 31 Dec 05 \$'000	1 Jan 04 to 31 Dec 04 \$'000 restated	+/ (-) %
<b>Revenue</b>	<b>131,542</b>	<b>88,655</b>	<b>48%</b>
Other operating income	1,756	472	272%
Raw and consumable materials	(69,506)	(35,917)	94%
Personnel expenses	(16,676)	(9,302)	79%
Cost of share-based payment	(2,325)	(663)	251%
Depreciation and amortisation	(4,157)	(3,533)	18%
Other operating expenses	(15,348)	(10,611)	45%
Gain on sale of property, plant and equipment	8,198	103	7,860%
Gain on sale of shares in a subsidiary	3,768	-	NM
Financial income / (expenses) – net	153	(360)	(143%)
Fair value gain on financial instruments	12,945	-	NM
Share of results of associate	(93)	-	NM
<b>Profit before taxation</b>	<b>50,257</b>	<b>28,844</b>	<b>74%</b>
Taxation	(1,071)	(968)	11%
<b>Net profit for the year</b>	<b>49,186</b>	<b>27,876</b>	<b>76%</b>
Attributable to:			
Shareholders of the Company	46,276	26,104	77%
Minority interests	2,910	1,772	64%
<b>Net profit for the year</b>	<b>49,186</b>	<b>27,876</b>	<b>76%</b>

Notes: (i) Figures for prior year have been restated to reflect the adoption of new and revised accounting standards (see note 5)

(ii) Numbers in all tables may not exactly add due to rounding

NM: Not meaningful

Footnote:

1) Gain on sale of shares in investment is arrived as follows :-

	<b>\$'000</b>
Sale proceeds	30,000
Less:	
Cost of investment	(19,941)
Legal and other professional fees incurred to divest	<u>(1,641)</u>
	8,418
Less:	
Share of fair value gain in financial instruments	<u>(4,650)</u>
<b>Gain on sale of shares in a subsidiary</b>	<b><u>3,768</u></b>

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	<b>Group 31 Dec 05 \$'000</b>	<b>Group 31 Dec 04 \$'000 restated</b>	<b>Company 31 Dec 05 \$'000</b>	<b>Company 31 Dec 04 \$'000 restated</b>
<b><u>EQUITY</u></b>				
Issued share capital	25,728	15,784	25,728	15,784
Share premium	62,693	33,626	62,693	33,626
Capital reserve	987	834	-	-
Translation reserve	(617)	(1,527)	-	-
Fair value reserve	(7,143)	-	379	-
Employee share option reserve	2,852	813	2,852	813
Revenue reserve	104,946	63,117	56,570	38,301
Shareholders' equity	189,446	112,647	148,222	88,524
Minority interests	7,723	3,375	-	-
<b>Total equity and minority interests</b>	<b>197,169</b>	<b>116,022</b>	<b>148,222</b>	<b>88,524</b>
<b><u>NON-CURRENT ASSETS</u></b>				
Property, plant and equipment	97,968	26,450	1,057	1,470
Construction-in-progress	626	102,599	207	113
Intangible assets	21,049	14,543	1,921	1,909
Investment in subsidiaries	-	-	56,618	26,099
Investment in joint ventures	-	-	22,538	-
Investment in associates	11,494	-	8,812	-
Long term investments	5,188	3,531	-	-
Due from related companies (non-trade)	-	-	870	34,447
<b>Total non-current assets</b>	<b>136,325</b>	<b>147,123</b>	<b>92,023</b>	<b>64,038</b>
<b><u>CURRENT ASSETS</u></b>				
Cash and cash equivalents	96,412	61,281	52,777	290
Trade receivables	29,624	32,826	52	13,328
Other receivables, deposits and prepayments	19,069	17,336	1,259	403
Fair value receivables	6,568	-	1	-
Inventories	11,069	5,147	5,073	1,770
Contracts work-in-progress	43,859	34,413	12,095	-
Short term investment	2,000	2,013	2,000	-
Short term loans	9,732	4,908	-	-
Due from related parties	27,687	-	26,657	13,520
<b>Total current assets</b>	<b>246,020</b>	<b>157,924</b>	<b>99,914</b>	<b>29,311</b>

	<b>Group 31 Dec 05 \$'000</b>	<b>Group 31 Dec 04 \$'000 restated</b>	<b>Company 31 Dec 05 \$'000</b>	<b>Company 31 Dec 04 \$'000 restated</b>
<b><u>CURRENT LIABILITIES</u></b>				
Trade payables and accruals	43,536	34,656	1,876	2,042
Other payables and accruals	15,972	7,990	4,045	857
Advances from customers	8,400	1,240	6,437	3
Provision for income tax	2,698	1,517	(3)	-
Fair value provision	5,465	-	73	-
Deferred income	1,609	-	-	-
Short term loans	130	2,405	-	-
Long term loans, current	1,641	1,538	385	1,538
<b>Total current liabilities</b>	<u>79,451</u>	<u>49,346</u>	<u>12,813</u>	<u>4,440</u>
<b>Net current assets</b>	166,569	108,578	87,101	24,871
<b><u>NON-CURRENT LIABILITIES</u></b>				
Deferred tax liabilities	288	288	-	-
Long term loan, non-current	105,437	139,391	30,902	385
<b>Total non-current liabilities</b>	<u>105,725</u>	<u>139,679</u>	<u>30,902</u>	<u>385</u>
<b>Net assets</b>	<u>197,169</u>	<u>116,022</u>	<u>148,222</u>	<u>88,524</u>

Notes: (i) Figures for prior year have been restated to reflect the adoption of new and revised accounting standards (see note 5)

(ii) Numbers in all tables may not exactly add due to rounding

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

As at 31/12/2005 \$'000		As at 31/12/2004 \$'000	
Secured	Unsecured	Secured	Unsecured
1,256	515	-	3,943

**Amount repayable after one year**

As at 31/12/2005 \$'000		As at 31/12/2004 \$'000	
Secured	Unsecured	Secured	Unsecured
74,532	30,905	139,006	385

**Details of any collateral**

The secured loans were secured on the property, plant and equipment of SingSpring Pte Ltd.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>1 Jan 05 31 Dec \$'000</b>	<b>1 Jan 04 31 Dec 04 \$'000 restated</b>
<b>Cash Flows from operating activities</b>		
Profit before taxation	50,257	28,844
Adjustments:		
Cost of share-based payment	2,325	663
Fair value gain on financial instruments	(12,945)	-
Gain on sale of shares in a subsidiary	(3,768)	-
Gain on sale of property, plant and equipment	(8,198)	(103)
Loss on disposal of associate	-	119
Share of results of associate	93	-
Amortisation of intangible assets	756	1,020
Depreciation of property, plant and equipment	3,401	2,513
Interest expense	2,547	710
Interest income	(2,700)	(350)
Government grants	(939)	(113)
Operating cash flows before working capital changes	<u>30,829</u>	<u>33,303</u>
Inventories	(5,923)	2,835
Contracts work-in-progress	(9,446)	(18,655)
Trade receivables	3,226	(12,627)
Other receivables, deposits and prepayments	(2,833)	(19,633)
Due from related companies	(27,687)	-
Trade payables and accruals	8,943	14,536
Deferred income	1,609	-
Other payables and accruals	11,992	7,235
Advances from customers	7,160	-
Total working capital changes	(12,959)	(26,309)
Cash generated from operations	17,870	6,994
Income tax paid	110	(27)
Net cash generated from operating activities	<u><b>17,980</b></u>	<u><b>6,967</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(73,857)	(14,178)
Payment for construction in progress	(445)	(92,529)
Acquisition of intangible assets	(7,470)	(6,492)
Proceeds from sale of shares in a subsidiary	25,439	-
Proceeds from sale of property, plant and equipment	19,162	165
Long term investments	(1,658)	(99)
Short term investments	13	(2,013)
Investment in associates	(11,585)	-
Interest received	1,653	350
Government grants received	939	113
Net cash used in investing activities	<u><b>(47,809)</b></u>	<u><b>(114,683)</b></u>

	1 Jan 05 31 Dec \$'000	1 Jan 04 31 Dec 04 \$'000 restated
<b>Cash flows from financing activities</b>		
Proceeds from issue of new shares	38,724	2,180
Payments of dividends	(4,318)	(1,753)
Minority interest's contribution	2,241	1,432
Payment of hire purchase obligations	-	(32)
Payment of finance lease obligations	-	(62)
(Payment) / proceeds of short term loans	(5,596)	114
Proceeds from long term loans	35,147	136,625
Net interest paid	(2,547)	(710)
Interest received from derivatives	1,047	-
Net cash generated from financing activities	<u>64,698</u>	<u>137,794</u>
		-
<b>Net increase in cash and cash equivalents</b>	<b>34,869</b>	<b>30,078</b>
Cash and cash equivalents at beginning of the year	61,281	31,894
Effect of exchange rate changes	262	(691)
<b>Cash and cash equivalents at end of the year</b>	<u><b>96,412</b></u>	<u><b>61,281</b></u>

Notes: (i) Figures for prior year have been restated to reflect the adoption of new and revised accounting standards (see note 5)

(ii) Numbers in all tables may not exactly add due to rounding

**Footnote:**

**Cashflow from sale of shares in a subsidiary is arrived as follows:-**

	\$'000
Net assets sold :	
Current assets	8,666
Non-current assets	90,600
Current liabilities	(13,148)
Non-current liabilities	(90,254)
Fair value reserves	8,727
Assignment of shareholders loan	<u>20,000</u>
Net assets sold	24,591
Gain on sale	3,768
Professional fee incurred	<u>1,641</u>
Cash proceeds from sale	30,000
Less: Cash of subsidiary	(2,920)
Less: Professional fees incurred	<u>(1,641)</u>
Net cash inflow on sale	<u><u>25,439</u></u>

**1(d)(i)A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those rising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

Attributable to shareholders of the Company

	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Employee share option reserves	Revenue reserve	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>										
<b>Balance at 1 January 2005</b>										
As previously reported	15,784	33,626	834	(1,527)	-	-	63,930	112,647	3,375	116,022
Adoption of FRS 102	-	-	-	-	-	813	(813)	-	-	-
Adoption of FRS 39	-	-	-	-	(16,651)	-	(129)	(16,780)	-	(16,780)
As restated	15,784	33,626	834	(1,527)	(16,651)	813	62,988	95,867	3,375	98,242
Issue of shares for cash	1,186	34,398	-	-	-	-	-	35,584	-	35,584
Issue of shares under employee share options scheme	250	2,891	-	-	-	-	-	3,141	-	3,141
Issue of bonus shares	8,508	(8,508)	-	-	-	-	-	-	-	-
Capital contribution by MI	-	-	-	-	-	-	-	-	2,241	2,241
Fair value gain of financial derivatives	-	-	-	-	9,508	-	-	9,508	-	9,508
Capital reserve arising on consolidation	-	-	153	-	-	-	-	153	(27)	126
Foreign currency translation differences	-	-	-	910	-	-	-	910	(776)	134
Cost of share-based payment	-	-	-	-	-	2,325	-	2,325	-	2,325
Transfer upon exercise of employee share options	-	286	-	-	-	(286)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	46,276	46,276	2,910	49,186
Dividends	-	-	-	-	-	-	(4,318)	(4,318)	-	(4,318)
<b>Balance at 31 December 2005</b>	25,728	62,693	987	(617)	(7,143)	2,852	104,946	189,446	7,723	197,169

Attributable to shareholders of the Company

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Translation reserve \$'000	Fair value reserve \$'000	Employee share option \$'000	Revenue reserve \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
<b>Group</b>										
<b>Balance at 1 January 2004</b>										
As previously reported	15,624	31,606	-	(667)	-	-	38,916	85,479	1,055	86,534
Adoption of FRS 102	-	-	-	-	-	150	(150)	-	-	-
As restated	15,624	31,606	-	(667)	-	150	38,766	85,479	1,055	86,534
Issue of shares under employee share options scheme	160	2,020	-	-	-	-	-	2,180	-	2,180
Capital reserve arising on consolidation	-	-	834	-	-	-	-	834	-	834
Foreign currency translation differences	-	-	-	(860)	-	-	-	(860)	548	(312)
Cost of share-based payment	-	-	-	-	-	663	-	663	-	663
Net profit for the year	-	-	-	-	-	-	26,104	26,104	1,772	27,876
Dividends	-	-	-	-	-	-	(1,753)	(1,753)	-	(1,753)
<b>Balance at 31 December 2004</b>	15,784	33,626	834	(1,527)	-	813	63,117	112,647	3,375	116,022

Attributable to shareholders of the Company					
Share capital	Share premium	Fair value reserve	Employee share option	Revenue reserve	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

**Company**

**Balance at 1 January 2005**

As previously reported	15,784	33,626	-	-	39,114	88,524
Adoption of FRS 102	-	-	-	813	(813)	-
Adoption of FRS 39	-	-	5	-	(1,395)	(1,390)
As restated	15,784	33,626	5	813	36,906	87,134
Issue of shares for cash	1,186	34,398	-	-	-	35,584
Issue of shares under employee share options scheme	250	2,891	-	-	-	3,141
Issue of bonus shares	8,508	(8,508)	-	-	-	-
Fair value loss of financial derivatives	-	-	374	-	-	374
Cost of share-based payment	-	-	-	2,325	-	2,325
Transfer upon exercise of employee share option	-	286	-	(286)	-	-
Net profit for the year	-	-	-	-	23,982	23,982
Dividends	-	-	-	-	(4,318)	(4,318)
<b>Balance at 31 December 2005</b>	<b>25,728</b>	<b>62,693</b>	<b>379</b>	<b>2,852</b>	<b>56,570</b>	<b>148,222</b>

**Balance at 1 January 2004**

As previously reported	15,624	31,606	-	-	31,155	78,385
Adoption of FRS 102	-	-	-	150	(150)	-
As restated	15,624	31,606	-	150	31,005	78,385
Issue of shares for cash	160	2,020	-	-	-	2,180
Cost of share-based payment	-	-	-	663	-	663
Net profit for the year	-	-	-	-	9,049	9,049
Dividends	-	-	-	-	(1,753)	(1,753)
<b>Balance at 31 December 2004</b>	<b>15,784</b>	<b>33,626</b>	<b>-</b>	<b>813</b>	<b>38,301</b>	<b>88,524</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

1. During the financial year, 4,991,438 new ordinary shares of \$0.05 each were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme").
2. As at 31 Dec 2005, the number of outstanding and unexercised Options granted under the Scheme was 27,712,196 (31 Dec 2004: 12,426,475).
3. During the financial year, there was a bonus share issue of 170,151,212 ordinary shares by capitalisation of share premium.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

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 their most recently audited annual financial statements, except as set out in paragraph 5 below.

In the consolidation of its accounts, the Group applies the following Financial Reporting Standards (FRS):-

FRS1 – Presentation of Financial Statements

The revised FRS 1 requires disclosures on the face of the profit and loss account of the following :

- the profit and loss for the period; and
- the allocation of the profit and loss for the period between amount attributable to shareholders of the Company and the amount attributable to minority shareholders of the subsidiaries.

The Statement of Changes in Equity is also required to disclose similar information above and the movements in minority interest account.

These financial statements have been presented in accordance with the revised FRS 1.

FRS 31 – Interests in Joint Ventures

For Joint Ventures in which the Group has joint control, it adopts the proportionate consolidation method whereby the financial line items of profit and loss account and balance sheet of the Joint Venture are proportionately consolidated into its accounts. For transactions between the Group and the Joint Venture, the gain or loss of the transaction that is attributable to the Group is eliminated on consolidation. For example, in the case of SingSpring Pte Ltd, 50% of the revenue and profit from the EPC (engineering, procurement and construction) activity is recognised in the Group's account. The unrealised profit for the remaining 50% revenue

is recognised over the estimated economic useful lives of SingSpring's assets or when the Group divests its equity stake in SingSpring.

#### FRS 27 – Consolidated and Separate Financial Statements

For entities in which the Group has majority control (ie. subsidiaries), all intercompany transactions and balances are fully eliminated on consolidation.

Where the Group undertakes EPC and O&M (operation and maintenance) for such a subsidiary, the EPC and O&M revenue will be fully eliminated on consolidation. The income from such subsidiary is fully consolidated into the Group's accounts and the unrealised profit from the EPC and O&M revenue are recognised over the estimated economic useful lives of the assets or when the Group divests its equity stake in such subsidiary.

#### FRS 28 - Investments in Associates

For entities that the Group exercises significant influence (ie. associates), equity accounting is adopted such that profit and loss of the entity is equity accounted for into the Group's accounts.

Where the Group undertakes EPC and O&M for such an associate, the EPC and O&M revenue and profits are recognised into the Group's accounts. The unrealised profit attributable to the Group will be eliminated when applying equity accounting and recognised over the estimated useful lives of the assets of the associate or when the Group divests its equity stakes in the associate.

### **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**

#### I Changes in accounting policies

The Group and the Company adopted various new and revised Financial Reporting Standards (FRS) which came into effect on 1 Jan 2005. The FRS that have a material financial impact on the Group are disclosed below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 39 (revised 2005) Financial Instruments: Recognition and Measurement  
FRS 102 (revised 2005) Share-based Payment

#### II Description of changes

##### *FRS 39 Financial Instruments: Recognition and Measurement*

The impact of adopting FRS 39 is as follows:

- 1) the increase in fair value adjusted to profit and loss account of the Group for twelve months ended 31 December 2005 amounted to S\$12.9 million.
- 2) increase in fair value adjustments to equity of S\$9.5 million for the twelve months ended 31 December 2005, resulted in reduction in negative fair value reserve from S\$16.7 million as of 1 January 2005 to S\$7.1 million.

##### *FRS 102, Share-based payment*

The impact of adopting FRS 102 is as follows:

- 1) opening revenue reserve of the Group and Company for 1 Jan 2004 and 1 Jan 2005 have been restated by a reduction of S\$150,000 and S\$813,000 respectively
- 2) net profit of the Group and the Company for twelve months ended 31 December 2005 decreased by S\$2.3 million.

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

	<b>Jan - Dec 2005 cents</b>	<b>Jan - Dec 2004 Cents Restated</b>
<b>Earnings per ordinary share after deducting any provision for preference dividends were:</b>		
Based on the weighted average of 502,354,722 (31 Dec 2004: 470,444,157) ordinary shares in issue; and	9.21	5.55
On a fully diluted basis of 519,706,337 (31 Dec 2004: 479,698,439) shares	8.92	5.44

**7. Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>31 Dec 2005 cents</b>	<b>31 Dec 2004 cents restated</b>
<b>Net assets value per ordinary share of:</b>		
Group	36.8	35.7
Company	28.8	28.0

**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**

Income Statement

Group revenue grew 48% year-on-year to S\$131.5 million while net profit grew 76% to S\$49.2 million. Basic earnings per share increased by 66% to 9.21 cents.

The revenue growth was mainly driven by higher municipal sales from Singapore and the Middle East. Municipal sales of S\$74.2 million accounted for 56% of total revenue as compared to 19% last year. This was largely contributed by revenue from higher municipal sales from Singapore, a result of recognising 50% of the remaining engineering, procurement and construction (EPC) revenue and cost for the SingSpring plant upon completion of the divestment of 50% equity stake in SingSpring Pte Ltd. Prior to the divestment, all revenue of the EPC work for the SingSpring project was eliminated on consolidation as SingSpring was then wholly owned by the Company. The remaining municipal sales were revenue for the completion of design work for the desalination plants in China (Liaoning and Tianjin) and the Middle East. Industrial revenue amounted to S\$56.6 million compared to S\$64.9 million last year largely due to fewer industrial water projects in China, arising from a switch in focus to

higher yield and in some cases much larger liquid process projects. These larger industrial projects took a longer gestation period.

Raw materials, consumables and accruals increased by 94% to S\$69.5 million compared to an increase in revenue of 48%. The higher proportionate increase in costs was due to higher accrual of costs for the development of pilot trials for industrial applications. Personnel expenses rose by 79% to S\$16.7 million. These were investments in human capital required to support the growth of future earnings with more resources being expended in research and development, in developing new markets such as India, in growing our existing markets and in enhancing our project execution capabilities. The Group's headcount as a result increased by 47% to 682 as compared to 465 last year. About 70% of such personnel was technically or engineering trained. Other operating expenses rose by 45% to S\$15.3 million largely due to higher costs in developing new markets and in securing and executing larger size projects. Depreciation and amortisation increased by 18% to S\$4.2 million due mainly to acquisition of property, plant and equipment. Cost of share-based payment of S\$2.3 million was a result of the application of FRS 102 with effect from 1 January 2005.

At the Group level, the divestment of 50% equity stake in SingSpring resulted in a gain of S\$3.8 million. Gain on sale of property, plant and equipment of S\$8.2 million was mainly related to the gain on sale of Hyflux Building. The application of FRS 39 with effect from 1 January 2005 resulted in a fair value gain of S\$12.9 million for the year. Overall, profit before taxation and minority interests rose by 74% to S\$50.3 million as compared to last year.

The effective income tax rate of about 2% for the Group is mainly due to tax exemption granted to some subsidiaries in China and the Company and zero corporate tax rate in the Middle East.

## Balance Sheet

### Group

Shareholders' equity increased by S\$77.0 million or 68% to S\$189.4 million as a result of an increase in share capital and premium of S\$39.0 million from issuance of new shares to Istithmar, net profit for the year of S\$46.3 million and employee share option reserve of S\$2.0 million, partially offset by dividend payout of S\$4.3 million and negative fair value reserve adjustment of S\$9.5 million. The adoption of FRS 102 resulted in positive fair value adjustment of S\$0.8 million as of 1 January 2005. The adoption of FRS 39 resulted a negative fair value adjustment of S\$16.7 million as of 1 January 2005.

Non-current assets reduced by S\$10.8 million mainly due to the completion of divestment of 50% equity stake in SingSpring and sale of Hyflux Building, partially offset by increases in investment in associate by S\$11.6 million and intangible assets by S\$6.5 million.

Working Capital increased by S\$58.0 million from \$108.6 million to S\$166.6 million. This increase was mainly due to higher cash and cash equivalents of S\$35.1 million. Other changes in working capital were in line with higher revenue and the larger size projects undertaken by the Group. Amounts due from related companies primarily related to trade receivables and amounts recoverable from associate companies and joint venture. Fair value receivables and payables relates to mark-t-o-market adjustments as a result of the adoption of FRS 39. Deferred income of S\$1.6 million represented unrealised profits on sales to associates in the Group accounts. These unrealised profits will be realised and credited to profit and loss account of the Group over the estimated economic useful lives of the underlying assets or when the Group divests its equity stake in the associates.

Long-term loans decreased by S\$33.9 million mainly due to the divestment of SingSpring. This together with the higher cash and cash equivalents balances led to a reduction in net debt to equity ratio for the Group from 0.71 in Dec 2004 to 0.05 as of Dec 2005. Excluding the project finance loan, the group was in a net cash position.

## Company

Shareholders' equity for the Company increased by S\$59.7 million to S\$148.2 million mainly due to increases in share capital and premium of S\$39.0 million from issuance of new shares to Istithmar, increase in employee share option reserve of S\$2.0 million from the adoption of FRS 102 from 1 Jan 2005, and an increase in revenue reserve of S\$24.0 million, partially offset by dividend payment of S\$4.3 million.

Non current assets increased by S\$28.0 million to S\$92.0 million largely due to investments in subsidiaries, joint ventures and associates of S\$61.9 million, offset by reduction in amounts due from related companies of S\$33.6 million.

Increase in net current assets of S\$62.2 million mainly arose from higher cash and cash equivalents of S\$52.5 million, higher balances due from related companies of S\$13.1 million and contracts work-in-progress of S\$12.1 million, partially offset by lower trade receivables of S\$13.3 million.

Non current liabilities increased by S\$30.5 million due to the draw down of a term loan facility.

## Cashflow Statement

The Group's cash position strengthened to S\$96.4 million, up by S\$35.1 million compared to a year ago.

Net cash generated from operations increased by 158% to S\$18.0 million as compared to S\$7.0 million last year. This was mainly due to a lower working capital requirement for the year.

Cash used in investing activities decreased by 58% to S\$47.7 million mainly due to proceeds from sale of Hyflux Building and sale of 50% equity stake in SingSpring totalled around S\$44.6 million, partially offset by investments in associates of S\$11.6 million. The S\$92 million reduction in construction in progress was mainly due to the completion of the construction of SingSpring plant, which is now classified as property, plant and equipment.

Cash generated from financing activities totalled S\$64.7 million, a decrease by 53% from last year and was funded by proceeds from issuance of new shares of S\$38.7 million and drawdown of project finance loan of S\$35.1 million, partially offset by dividend payment and repayment of short term loans.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Group results to date are in line with its target of another year of growth.

### **10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

While the Group is focused on executing existing projects in China, Singapore and the Middle East, it continues its efforts to expand market in China and the Middle East and to develop new markets in the region such as India. Competition is expected to be strong but the Group will continue to sharpen its competitive edge and harness its track record and proven capabilities to meet such challenges.

As the Group expands its presence in China and the region, we will adopt an asset-light strategy by divesting our interest in the capital-intensive Build-Own-Operate/Transfer projects ("BOO/BOT") such that we are able to release financial resources as well as debt capacity to take on new projects and new markets. Examples of such application of asset-light strategy are the 50% divestment of SingSpring, the sale and leaseback of Hyflux Building and the formation of SinoSpring with RB (Labuan) Berhad to invest in BOO/BOT projects in China.

As of 31 Dec 2005, our order book doubled to S\$465 million as compared to last year based on the amount of revenue we could recognise from the EPC work on these projects as we know now. These projects have a total value of S\$535 million. When fully delivered in about 2-3 years, these projects will have total annual capacities of around 500,000 m<sup>3</sup>/year and have recurring revenue stream in the order of S\$80 – 90 million a year over the next 20 to 30 years. In the pipeline are several promising projects under development in our target markets. Our target is to achieve operation of 1,000,000 m<sup>3</sup>/day of projects in 3 to 4 years. This strong flow of projects underpins our expectation of another year of growth in 2006.

## 11. Dividend

### ***(a) Current Financial Period Reported On***

Any dividend recommended for the current financial period reported on?

Name of Dividend	First and Final
Dividend Type	Cash
Dividend Rate	1.35 cents per ordinary shares
Par value of shares	5.0 cents
Tax Rate	NIL

### ***(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	First and Final
Dividend Type	Cash
Dividend Rate	1.27 cents per ordinary shares
Par value of shares	5.0 cents
Tax Rate	NIL

### **(c) Date payable**

To be announced later

### **(d) Books closure date**

To be announced later

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

Not applicable

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Basis for segmental results and information has been changed to business sector for a more meaningful presentation of the Group's results which is in accordance with FRS 14.

<b>2005</b>	<b><i>Municipal</i></b>	<b><i>Industrial</i></b>	<b><i>Others</i></b>	<b><i>Group</i></b>
	<b><i>\$'000</i></b>	<b><i>\$'000</i></b>	<b><i>\$'000</i></b>	<b><i>\$'000</i></b>
<b><u>Segmented results</u></b>				
External sales	74,173	56,580	789	131,542
<b>Operating profit</b>	16,777	11,510	(3,001)	25,286
Gain on sale of property, plant and equipment				8,198
Gain on sale of share in a subsidiary				3,768
Financial expense				(2,545)
Financial income				2,698
Fair value gain of financial instruments				12,945
Share of results of associate				(93)
Taxation				(1,071)
Profit after tax				<u>49,186</u>
 <b>Balance Sheet</b>				
Assets	221,311	73,460	7,285	302,056
Fixed deposits				63,607
Unallocated assets				16,682
Total assets				<u>382,345</u>
 Liabilities	132,243	17,338	1,322	150,903
Bank borrowings				31,287
Unallocated liabilities				2,986
Total liabilities				<u>185,176</u>
 Capital expenditure	72,833	1,109	360	74,302
Depreciation and amortisation	3,149	411	597	4,157

<b>2004</b>	<b>Municipal</b>	<b>Industrial</b>	<b>Others</b>	<b>Group</b>
<b>Segmented results</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
External sales	16,641	64,906	7,108	88,655
<b>Operating profit</b>	3,112	27,171	(1,182)	29,101
Gain on sale of fixed assets				103
Gain on sale of share in investments				
Financial expense				(710)
Financial income				350
Fair value gain/ (loss) of financial assets / liabilities / derivatives				-
Share of results of associate				-
Taxation				(968)
Profit after tax				<u>27,876</u>
<b>Balance Sheet</b>				
Assets	169,040	72,404	7,341	248,785
Fixed Deposits				56,069
Unallocated assets				193
Total assets				<u>305,047</u>
Liabilities	29,102	13,615	1,169	43,886
Bank borrowings				143,334
Unallocated liabilities				1,805
Total liabilities				<u>189,025</u>
Capital expenditure	105,536	1,050	121	106,707
Depreciation and amortisation	2,773	420	340	3,533

### Geographical Segments

Revenue is reported according to geographical segment as follows:

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>%</b>
Singapore	33,961	9,117	26%	10%
People's Republic of China	73,463	72,885	56%	82%
Middle East / Others	24,118	6,653	18%	8%
	<u>131,542</u>	<u>88,655</u>	<u>100%</u>	<u>100%</u>

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to section 8.

**15. A breakdown of sales**

	<b>2005</b>	<b>2004</b>	<b>Increase/</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>(decrease)</b>
		<b>Restated</b>	
Sales reported for first half year	43,069	29,961	43.7%
Profit after tax before minority interest reported for first half year	31,848	9,714	227.8%
Sales reported for second half year	88,473	59,328	49.1%
Profit after tax before minority interest reported for second half year	17,338	18,162	(4.5%)

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (2005)	Previous Full Year (2004)
	\$'000	\$'000
Ordinary	4,318	1,753
Preference	-	-
Total:	4,318	1,753

**BY ORDER OF THE BOARD**

Lim Kim Seng  
Company Secretary  
16 February 2006