

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

Second Quarter Financial Statement

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

	Jan 05 To Jun 05 \$'000	Jan 04 to Jun 04 \$'000 restated	+/ (-) %	Apr 05 to Jun 05 \$'000	Apr 04 to Jun 04 \$'000 restated	+/ (-) %
Revenue	43,069	29,961	44%	18,826	17,856	5%
Other operating income	1,365	443	208%	729	264	176%
Raw and consumable materials	(14,831)	(11,762)	26%	(6,784)	(7,729)	(12%)
Personnel expenses	(4,542)	(3,553)	28%	(2,396)	(1,921)	25%
Cost of share-based payment	(707)	(651)	1%	(323)	(274)	1%
Depreciation and amortisation	(1,984)	(1,687)	18%	(1,059)	(911)	16%
Other operating expenses	(3,135)	(2,519)	24%	(1,442)	(1,347)	7%
Unrealised profit from JV and associates	(3,481)	-	NM	(946)	-	NM
Profit from operations	15,754	10,232	54%	6,605	5,938	11%
Gain on sale of fixed assets	8,517	-	NM	8,505	-	NM
Financial expenses – net	(85)	(132)	(35%)	(82)	(44)	86%
Fair value gain of financial assets/ liabilities/ derivatives	8,680	-	NM	3,132	-	NM
Profit before share of results of associate	32,866	10,100	225%	18,160	5,894	208%
Share of results of associate	-	-	NM	-	3	(100%)
Profit before taxation and minority interests	32,866	10,100	225%	18,160	5,897	208%
Taxation	(1,018)	(386)	164%	(1,028)	(386)	166%
Profit after taxation	31,848	9,714	228%	17,132	5,511	211%
Attributable to:						
Equity holders of the Company	23,002	8,710	164%	14,026	5,901	138%
Minority interest	8,846	1,004	781%	3,106	(390)	NM
Net profit for the period	31,848	9,714	228%	17,132	5,511	211%

Notes: Figures for prior periods have been restated to reflect the adoption of new and revised accounting standards (see note 5)
 NM: Not meaningful

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

	Group 30 Jun 05 \$'000	Group 31 Dec 04 \$'000 restated	Company 30 Jun 05 \$'000	Company 31 Dec 04 \$'000 restated
<u>SHARE CAPITAL AND RESERVES</u>				
Share capital	17,015	15,784	17,015	15,784
Share premium	68,898	33,626	68,898	33,626
Capital reserve	960	834	-	-
Translation reserve	(1,031)	(1,527)	-	-
Fair value reserve	(17,553)	-	(99)	-
Employee share option reserve	2,671	1,964	2,671	1,964
Revenue reserve	80,521	61,966	30,023	37,150
Shareholders' equity	151,481	112,647	118,508	88,524
Minority interests	12,318	3,375	-	-
Total capital and reserves	163,799	116,022	118,508	88,524
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	161,040	129,049	1,127	1,583
Investment in subsidiaries	-	-	41,304	26,099
Investment in associate	9,334	-	-	-
Long term investments	5,126	3,531	-	-
Intangible assets	16,578	14,543	2,016	1,909
Due from subsidiaries (non-trade)	-	-	38,012	34,447
Total non-current assets	192,078	147,123	82,459	64,038
<u>CURRENT ASSETS</u>				
Cash and bank balances	11,571	5,212	61	134
Fixed deposits	58,735	56,069	38,583	156
Notes receivable	912	682	-	-
Trade receivables	36,688	32,144	349	13,328
Other receivables, deposits and prepayments	24,178	22,244	887	403
Fair value receivables	9,266	-	5	-
Inventories	9,203	5,147	3,058	1,770
Contracts work-in-progress	48,346	34,413	-	-
Short term investment	2,000	2,013	2,000	-
Due from subsidiaries (trade)	-	-	14,336	-
Due from related companies (non-trade)	12,576	-	12,653	13,520
Total current assets	213,475	157,924	71,932	29,311
<u>CURRENT LIABILITIES</u>				
Trade payables and accruals	32,237	34,657	1,963	2,042
Other payables and accruals	6,987	9,180	204	860
Provision for income tax	2,441	1,516	(5)	-
Provision for warranty	50	50	-	-
Fair value provision	18,307	-	853	-
Deferred income	3,481	-	-	-
Short term loans	2,529	2,405	-	-

	Group 30 Jun 05 \$'000	Group 31 Dec 04 \$'000 restated	Company 30 Jun 05 \$'000	Company 31 Dec 04 \$'000 restated
Long term loans, current	2,350	1,538	2,350	1,538
Total current liabilities	<u>68,382</u>	<u>49,346</u>	<u>5,365</u>	<u>4,440</u>
Net current assets	145,093	108,578	66,567	24,871
<u>NON-CURRENT LIABILITIES</u>				
Deferred tax liabilities	288	288	-	-
Long term loan, non-current	173,084	139,391	30,518	385
Total non-current liabilities	<u>173,372</u>	<u>139,679</u>	<u>30,518</u>	<u>385</u>
Net assets	163,799	116,022	118,508	88,524

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

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

Amount repayable in one year or less, or on demand

As at 30/6/2005 \$'000		As at 31/12/2004 \$'000	
Secured	Unsecured	Secured	Unsecured
-	4,879	-	3,943

Amount repayable after one year

As at 30/6/2005 \$'000		As at 31/12/2004 \$'000	
Secured	Unsecured	Secured	Unsecured
142,566	30,518	139,006	385

Details of any collateral

The secured loans were secured on the construction-in-progress 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

	Apr 05 to Jun 05 \$'000	Apr 04 to 30 Jun 04 \$'000 restated
Cash Flows from operating activities		
Profit before tax	18,160	5,897
Adjustments:		
Share of results of associate	-	(3)
Loss on disposal of associate	-	119
Amortisation of intangible assets	171	257
Depreciation of property, plant and equipment	888	655
Fair value gain of financial assets/ liabilities/ derivatives	(3,132)	-
Cost of share-based payment	323	274
Gain on disposal of fixed assets	(8,505)	-
Unrealised profit from JV and associates	(6,976)	-
Interest expense	590	122
Interest income	(508)	(79)
Grants	(70)	-
Profit before working capital changes	941	7,242
Inventories	(3,555)	1,347
Contracts work-in-progress	10,241	(2,102)
Trade receivables	(5,198)	(1,171)
Other receivables, deposits and prepayments	(5,312)	(2,796)
Due from related companies (non-trade)	(12,576)	-
Trade payables and accruals	9,892	4,756
Other payables and accruals	2,869	(1,278)
Trust receipts	-	157
Notes receivables	238	-
Cash (used in)/ generated from operations	(2,460)	6,155
Interest paid	(590)	(122)
Income tax paid	(37)	(42)
Net cash (used in)/ generated from operating activities	(3,087)	5,991
Cash flows from investing activities		
Purchase of property, plant and equipment	(808)	(9,627)
Construction in progress	(28,954)	(15,311)
Proceeds from disposal of property, plant and equipment	19,053	1
Acquisition of intangible assets	(662)	(1,756)
Long term investments	224	-
Short term investments	(2,000)	-
Investment in Associate	(9,334)	-
Interest received	508	79
Government grants received	70	-
Net cash used in investing activities	(21,903)	(26,614)

	Apr 05 to Jun 05 \$'000	Apr 04 to 30 Jun 04 \$'000 restated
Cash flows from financing activities		
Proceeds from issue of new shares	35,999	111
Payments of dividends	(4,318)	(1,753)
Minority interest's contribution	-	755
Payment of hire purchase obligations	-	(20)
Payment of finance lease obligations	-	(4)
Proceeds from short term loans	542	13,000
Proceeds from long term loans	9,517	44,234
Net cash generated from financing activities	<u>41,740</u>	<u>56,323</u>
Net increase in cash and cash equivalents	16,750	35,700
Cash and cash equivalents at beginning of the period	53,679	45,080
Effect of exchange rate changes	(123)	89
Cash and cash equivalents at end of the period	<u>70,306</u>	<u>80,869</u>

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

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							Minority Interest	Total Equity	
	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Employee share option reserves	Revenue reserve			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Group										
Balance at 1 January 2005										
As previously reported	15,784	33,626	834	(1,527)	-	-	63,930	112,647	3,375	116,022
Effect of adopting FRS 102		-	-	-	-	1,964	(1,964)	-	-	-
Restated	15,784	33,626	834	(1,527)	-	1,964	61,966	112,647	3,375	116,022
On adoption of FRS 39 at 1 January 2005					(16,651)	-	(129)	(16,780)	-	(16,780)
Issue of shares for cash	1,231	35,272	-	-	-	-	-	36,503	-	36,503
Fair value gain of financial assets/ liabilities/ derivatives	-	-	-	-	(902)	-	-	(902)	-	(902)
Capital reserve arising on consolidation	-	-	126	-	-	-	-	126	-	126
Foreign currency translation differences	-	-	-	496	-	-	-	496	97	593
Cost of share-based payment	-	-	-	-	-	707	-	707	-	707
Net profit for the year	-	-	-	-	-	-	23,002	23,002	8,846	31,848
Dividends	-	-	-	-	-	-	(4,318)	(4,318)	-	(4,318)
Balance at 30 June 2005	17,015	68,898	960	(1,031)	(17,553)	2,671	80,521	151,481	12,318	163,799
Balance at 1 April 2005	15,812	34,102	960	(1,483)	(12,224)	2,348	70,813	110,328	9,153	119,481
Issue of shares for cash	1,203	34,796	-	-	-	-	-	35,999	-	35,999
Fair value gain of financial assets/ liabilities/ derivatives	-	-	-	-	(5,329)	-	-	(5,329)	-	(5,329)
Foreign currency translation differences	-	-	-	452	-	-	-	452	59	511
Cost of share-based payment	-	-	-	-	-	323	-	323	-	323
Net profit for the year	-	-	-	-	-	-	14,026	14,026	3,106	17,132
Dividends	-	-	-	-	-	-	(4,318)	(4,318)	-	(4,318)
Balance at 30 June 2005	17,015	68,898	960	(1,031)	(17,553)	2,671	80,522	151,482	12,318	163,799

attributable to shareholders

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Translation reserve \$'000	Fair value reserve \$'000	Employee share option reserves \$'000	Revenue reserve \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
Group										
Balance at 1 January 2004										
As previously reported	15,624	31,606	-	(667)	-	-	38,916	85,479	1,055	86,534
Effect of adopting FRS 102		-	-	-	-	504	(504)	-	-	-
Restated	15,624	31,606	-	(667)	-	504	38,412	85,479	1,055	86,534
Issue of shares for cash	34	389	-	-	-	-	-	423	-	423
Foreign currency translation differences	-	-	-	(3)	-	-	-	(3)	746	743
Cost of share-based payment	-	-	-	-	-	650	-	650	-	650
Net profit for the period	-	-	-	-	-	-	8,710	8,710	1,004	9,714
Dividends	-	-	-	-	-	-	(1,753)	(1,753)	-	(1,753)
Balance at 30 June 2004	15,658	31,995	-	(670)	-	1,154	45,369	93,506	2,805	96,311
Balance at 1 April 2004	15,651	31,892	-	(933)	-	880	41,221	88,712	2,449	91,161
Issue of shares for cash	7	103	-	-	-	-	-	110	-	110
Foreign currency translation differences	-	-	-	263	-	-	-	263	746	1,009
Cost of share-based payment	-	-	-	-	-	274	-	274	-	274
Net profit for the year	-	-	-	-	-	-	5,901	5,901	(390)	5,511
Dividends	-	-	-	-	-	-	(1,753)	(1,753)	-	(1,753)
Balance at 30 June 2004	15,658	31,995	-	(670)	-	1,154	45,369	93,506	2,805	96,311

attributable to shareholders

	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Employee share option reserves	Revenue reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Company

Balance at 1 January 2005

As previously reported	15,784	33,626	-	-	-	-	39,114	88,524
Effect of adopting FRS 102	-	-	-	-	-	1,964	(1,964)	-
Restated	15,784	33,626	-	-	-	1,964	37,150	88,524
On adoption of FRS 39 at 1 January 2005	-	-	-	-	5	-	(1,395)	(1,390)
Issue of shares for cash	1,231	35,272	-	-	-	-	-	36,503
Fair value loss of financial assets/ liabilities/ derivatives	-	-	-	-	(104)	-	-	(104)
Cost of share-based payment	-	-	-	-	-	707	-	707
Net profit for the period	-	-	-	-	-	-	(1,414)	(1,414)
Dividends	-	-	-	-	-	-	(4,318)	(4,318)
Balance at 30 June 2005	17,015	68,898	-	-	(99)	2,671	30,023	118,508

Balance at 1 April 2005

As previously reported	15,812	34,102	-	-	8	2,348	35,701	87,971
Issue of shares for cash	1,203	34,796	-	-	-	-	-	35,999
Fair value gain of financial assets/ liabilities/ derivatives	-	-	-	-	(107)	-	-	(107)
Cost of share-based payment	-	-	-	-	-	323	-	323
Net profit for the period	-	-	-	-	-	-	(1,360)	(1,360)
Dividends	-	-	-	-	-	-	(4,318)	(4,318)
Balance at 30 June 2005	17,015	68,898	-	-	(99)	2,671	30,023	118,508

attributable to shareholders

	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Employee share option reserves	Revenue reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Company

Balance at 1 January 2004

As previously reported	15,624	31,606	-	-	-	-	31,155	78,385
Effect of adopting FRS 102	-	-	-	-	-	504	(504)	-
Restated	15,624	31,606	-	-	-	504	30,651	78,385
Issue of shares for cash	34	389	-	-	-	-	-	423
Cost of share-based payment	-	-	-	-	-	650	-	650
Net profit for the period	-	-	-	-	-	-	(1,746)	(1,746)
Dividends	-	-	-	-	-	-	(1,753)	(1,753)
Balance at 30 June 2004	15,658	31,995	-	-	-	1,154	27,152	75,959
Balance at 1 April 2004	15,651	31,892	-	-	-	880	29,505	77,928
Issue of shares for cash	7	103	-	-	-	-	-	110
Cost of share-based payment	-	-	-	-	-	274	-	274
Net profit for the period	-	-	-	-	-	-	(600)	(600)
Dividends	-	-	-	-	-	-	(1,753)	(1,753)
Balance at 30 June 2004	15,658	31,995	-	-	-	1,154	27,152	75,959

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

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. 266,500 new ordinary shares of \$0.05 each were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme").
2. As at 30 June 2005, the outstanding and unexercised Options granted under the Scheme were 17,945,912 shares (30 June 2004: 16,432,725 shares).
3. During the period, there was a new share issue of 23,722,595 ordinary shares to Istithmar PJSC at S\$1.50 for each new share in cash.

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 Company have adopted the new/revised Financial Reporting Standards, which came into effect on 1 January 2005 as highlighted in Note 5 below.

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

1 Changes in accounting polices

In 2005, the Group and the Company adopted various revisions in Financial Reporting Standards (FRS). 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 2004) Financial Instruments: Recognition and Measurement
FRS 102 (revised 2004) Share-based Payment

A brief description of the impact of the above FRS on the financial statements of the Group and the Company have been set out in the first quarter 2005 financial statement.

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 for six months ending 30 June 05 amounted to S\$8.7 million and S\$3.1 million for three months ending 30 June 05 for the Group.
- 2) the reduction in fair value adjusted to equity in 2Q 05 amounted to S\$17.6 million for the Group and S\$99,000 for the Company
- 3) opening accumulated profits for 1 Jan 2005 have been reduced by S\$16.7 million for the Group and increased by S\$5,000 for the Company

FRS 102, Share-based payment

The impact of adopting FRS 102 is as follows:

- 1) opening accumulated profits of the Group and Company for 1 Jan 2004 and 1 Jan 2005 have been restated by S\$504,000 and S\$2.0 million
- 2) net profit of the Group and the Company for six months ending 30 June 2005 and three months ending 30 June 2005 decreased by S\$ 707,000 and S\$323,000 respectively.

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

	Jan - Jun 2005 cents	Jan - Jun 2004 cents restated	Apr-Jun 2005	Apr – Jun 2004 cents restated
Earnings per ordinary share after deducting any provision for preference dividends were:				
Based on the weighted average of 316,262,365 (30 June 2004:312,885,573) ordinary shares in issue; and	7.27	2.78	4.43	1.89
On a fully diluted basis of 336,670,968 (30 Jun 2004: 317,316,592) shares	6.83	2.75	4.15	1.84

7. Net asset 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

	30 Jun 2005 cents	31 Dec 2004 cents	31 Dec 2004 cents restated
Net asset value per ordinary share of:			
Group	47.9	35.7	35.9
Company	37.5	28.0	28.2

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

Income Statement

For six months ended 30 June

The Group revenue rose by 44% to S\$43.1 million while net profit after taxation increased by 228% to S\$31.8 million. Basic earnings per share increased by 162% to 7.27 cents.

The revenue growth was contributed largely by projects in the Middle East, which constituted 49% of total revenue. China revenue represented 46% of total revenue compared to 76% last year and was primarily from the industrial sectors. Other sales comprised 5% as compared to 24% last year.

Personnel expenses increased by 28% to S\$4.5 million primarily due to additions in manpower for engineering and technical functions and for the development of new markets. Depreciation and amortisation increased by 18% to S\$2.0 million due to acquisition in fixed assets and intangibles as compared to the previous period. Other operating expenses increased by 24% to S\$3.1 million in line with higher sales and the Group's effort to diversify and develop new markets such as India and the Middle Eastern markets.

Unrealised profits on joint ventures/ associated companies of S\$3.5 million represented deferred income on sales to joint ventures/ associated companies on consolidation in Group accounts.

Operating margin was 37% compared to 35% last year.

Gain on sale of fixed assets of S\$8.5 million related largely to gain of disposal of Hyflux Building. The application of FRS 39 with effect from 1 January 2005 resulted in a fair value gain of S\$8.7 million for the period.

The low effective income tax rate of about 3% 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.

For three months ended 30 June

The Group's revenue for the quarter increased by 5% to S\$18.8 million while net profit after tax tripled to S\$17.1 million.

The increase in revenue was largely due to revenue from Middle East, comprising 20% of the total revenue for the quarter. This was partially offset by lower sales in China which comprised 70% of total revenue versus 79% in the previous period. Lower sales in China was mainly due to timing of completion of project milestones.

Personnel expenses increased by 25% to S\$2.4 million primarily due to additions in manpower in our engineering and technical functions and for development of new markets. Depreciation and amortisation increased by 16% to S\$1.1 million due to acquisition in fixed assets and intangibles during the period.

Unrealised profits on joint ventures/ associated companies of S\$0.9 million represents deferred income on sales to joint ventures/ associated companies on consolidation in Group accounts. As a result, profit from operations rose by 9% to S\$6.6 million.

Gain on sale of fixed assets of S\$8.5 million related to gain of disposal of Hyflux Building. The application of FRS 39 with effect from 1 January 2005 has resulted in a fair value gain of S\$3.1 million for the quarter.

Balance Sheet

Group

Shareholders' equity increased by S\$38.8 million to S\$151.5 million mainly due to increase in share capital and premium of S\$35.6 million from issuance of new shares to Istithmar and net profit for the period of S\$31.8 million, partially offset by dividend payout of S\$4.3 million and fall in fair value reserve for financial derivatives by S\$17.6 million for the period.

Non-current assets increased by S\$45.0 million mainly due to the increase in construction in progress of S\$32.0 million of the Tuas desalination plant and investment in associated company of S\$9.3 million.

Total current asset increased by S\$55.6 million to S\$213.5 million mainly due to increase in cash and fixed deposits of S\$9.0 million, contracts work in progress of S\$13.9 million, amount due from related companies of S\$12.6 million and fair value adjustments arising from financial derivatives of S\$9.3 million. Higher contract in progress was in line with higher revenue and the larger size projects undertaken by the Group.

Total current liabilities increased by S\$19.0 million to S\$68.4 million mainly due to fair value adjustments arising from financial derivatives of S\$18.3 million. Deferred income of S\$3.5 million represented unrealised profits on sales to joint ventures/ associated companies on consolidation in Group accounts. These unrealised profits will be realised and credited to profit and loss account of the Group over the useful lives of the underlying assets or when the Group divest its equity stake in the associated companies.

Long-term loan increased by S\$33.7 million mainly due to draw down of term loan facility. The net debt to equity ratio for the Group has improved from 0.73 to 0.71. Excluding the project finance loan, the group is in a net cash position.

Company

Shareholders' equity for the Company increased by S\$ 30.0 million to S\$118.5 million mainly due to increase in share capital and premium of S\$35.6 million from issuance of new shares to Istithmar and offset by decrease in retained earnings of S\$7.1 million due to dividend payout of S\$4.3 million and retained earnings adjustment of S\$1.4 million from fair value adjustments on financial derivatives.

Non current assets increased by S\$18.4 million to S\$82.5 million largely due to investment in Middle East and China of S\$15.2 million.

Increase in net current assets of S\$41.7 million is mainly due to higher cash balance of S\$38.4 million and higher balances due from subsidiaries (trade) of S\$14.3 million, partially offset by lower trade receivables of S\$13.0 million.

Non current liabilities increased by S\$30.1 million due to the draw down of a term loan facility.

Cashflow Statement

The group cash position has strengthened from S\$53.7 million at 31 March 2005 to S\$70.3 million as at 30 June 2005. The higher cash position was mainly due to proceeds from the issuance of new shares of S\$36.0 million and long term loan of S\$9.5 million, partially offset by funds used in construction of the Tuas desalination plant of S\$29.0 million, investment in Middle East and China of S\$9.3 million, dividend payment of S\$4.3 million and increase in working capital to fund larger size projects.

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

The Group is on track to achieve 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

The Group continues to develop markets that provide sustainable growth potential such as China, Middle East and India in the municipal, industrial and consumer sectors. Competition is expected to be stronger but the Group will continue to sharpen its competitive edge to meet such challenges.

The Group will recognise the financial impact of the 50% divestment of SingSpring in Q3 2005.

The current order book stands at S\$ 336 million compared to S\$237 million as of February 2005 this year. Municipal order book comprises 81% of total order book while the remaining is from industrial sectors. The order book does not include potential orders of US\$ 290 million (out of the US\$400 million) from Middle East, the Tianjin desalination plant of S\$ 150 million (US\$ 90 million) and the 2 MOUs from China, Harbin and Changchun and the remaining EPC revenue for the Tuas desalination plant upon the divestment of the 50% equity stake of SingSpring.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?
None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None

(c) Date payable

Not applicable`

(d) Books closure date

Not applicable.
[Give a negative statement if not applicable]

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

No dividend has been declared or recommended for the first half of FY2005.

**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

<Place tabular results and/or notes here>

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

15. A breakdown of sales

<Refer to Para 15 of Appendix 7.2 for the required details. Place tabular results and/or notes here>

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 ()	Previous Full Year ()
Ordinary Preference Total:	0	0

BY ORDER OF THE BOARD

Lim Kim Seng
Company Secretary
4/8/2005