**HYFLUX LTD** 

Registration number: 200002722Z

# Second Quarter Financial Statements - 2007

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

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

	Second Quarter			Half Year			
	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	+ / (-) %	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000	+ / <b>(-)</b> %	
Revenue	38,761	37,499	3%	52,111	71,179	(27%)	
Raw materials and consumables used	(22,991)	(22,034)	4%	(27,941)	(33,847)	(17%)	
Personnel expenses	(6,404)	(4,211)	52%	(11,378)	(9,575)	19%	
Cost of share-based payments	(840)	(657)	28%	(1,543)	(1,808)	(15%)	
Other operating expenses	(3,752)	(4,605)	(19%)	(7,159)	(7,354)	(3%)	
Depreciation and amortisation	(1,911)	(1,366)	40%	(3,499)	(2,342)	49%	
Gain on sale of partial interest in a joint venture [Note 1(b)]	96	-	NM	8,185	-	NM	
Gain on sale of a subsidiary and an associate [Note 1(c)]	-	-	NM	-	1,655	(100%)	
Gain on sale of property, plant and equipment	50	19	NM	112	19	NM	
Financial income	305	394	(23%)	609	1,057	(42%)	
Financial expense	(405)	(1,248)	(68%)	(1,754)	(2,480)	(29%)	
Fair value (loss) / gain on financial instruments	(128)	18	NM	(3,062)	162	NM	
Share of results of associates	(747)	(18)	NM	(88)	(947)	(91%)	
Negative goodwill on acquisition of business	2,620	-	NM	2,620	-	NM	
Other non-operating income / (expenses)	521	(1,094)	NM	604	(1,887)	NM	
Profit before taxation [Note 1(a)]	5,175	2,697	92%	7,817	13,832	(43%)	
Tax benefit / (expense)	20	(252)	NM	(1,198)	(1,636)	(27%)	
Net profit for the period	5,195	2,445	113%	6,619	12,196	(46%)	
Attributable to:							
Shareholders of the Company	4,526	2,993	51%	5,766	12,585	(54%)	
Minority interests	669	(548)	NM	853	(389)	NM	
	5,195	2,445	113%	6,619	12,196	(46%)	

Notes: Numbers in all tables may not exactly add due to rounding

NM: Not meaningful

# NOTES TO GROUP PROFIT AND LOSS ACCOUNT

# 1(a) Profit before taxation of the Group is arrived at after (charging)/crediting the following: -

	1 Apr 07 to 30 Jun 07	1 Apr 06 to 30 Jun 06	+ / (-)	1 Jan 07 to 30 Jun 07	1 Jan 06 to 30 Jun 06	+ / (-)
	S\$'000	S\$'000		S\$'000	S\$'000	
Reversal of / (Allowance for) doubtful debts – trade	141	(1,677)	NM	(156)	(1,224)	(87%)
Allowance for inventory obsolescence	(8)	(1)	NM	(42)	(100)	(58%)
Write-off for inventory obsolescence	-	-	NM	(113)	-	NM
Foreign exchange gain / (loss) (unrealised)	75	(814)	NM	(67)	(1,642)	(96%)
Foreign exchange gain / (loss) (realised)	60	(627)	NM	(40)	(429)	(91%)

# 1(b) Gain on sale of partial interest in a joint venture is arrived as follows: -

	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000
Cash received from sale	96	-	20,467	-
Less: Repayment of shareholders' loan			(2,750)	
	96	-	17,717	-
Less:				
Cost of investment disposed	-	-	(8,000)	-
Post-acquisition profits of investment disposed			(1,389)	
	96	-	8,328	-
Legal and other professional fees incurred pursuant to the disposal			(143)	
Gain on sale of partial interest in a joint venture	96		8,185	

# 1(c) Gain on sale of a subsidiary and an associate is arrived as follows: -

	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000
Sales proceeds	-	-	-	12,201
Less:				
Cost of investment disposed	-	-	-	(10,000)
Post-acquisition profits of investment disposed				(33)
	-	-	-	2,168
Exchange difference	-	-	-	(409)
Legal and other professional fees incurred pursuant to the disposal				(104)
Gain on sale of a subsidiary and an associate				1,655

# 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 07 \$'000	Group 31 Dec 06 \$'000	Company 30 Jun 07 \$'000	Company 31 Dec 06 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	83,698	48,908	6,152	4,347
Intangible assets	45,473	38,982	3,812	3,408
Investment in subsidiaries	-	,	104,666	104,654
Investment in joint venture	-	-	-	20,000
Investment in associates	23,320	6,963	12,000	-
Long-term investments	7,081	5,997	899	899
Lease receivables	41,564	141,336	-	-
Other receivables	2,004	3,979	12,854	14,515
Deferred tax assets	717	505	-	-
Total non-current assets	203,857	246,670	140,383	147,823
CURRENT ASSETS				
Gross amounts due for contract work	65,382	50,723	15,208	14,031
Inventories	16,923	11,193	11,745	8,506
Trade receivables	35,633	30,734	1,546	1,165
Lease receivables, current	539	757	-	- -
Other receivables, deposits and prepayments	67,226	25,526	3,857	3,427
Due from related parties (trade)	19,597	15,741	19,166	15,898
Due from related parties (non-trade)	501	160	69,845	21,194
Short-term loans	-	98	-	-
Derivative financial instruments	-	3,758	-	228
Cash and fixed deposits	49,168	55,827	7,234	4,694
Total current assets	254,969	194,517	128,601	69,143
CURRENT LIABILITIES				
Trade payables	43,221	35,277	1,754	1,012
Other payables and accruals	24,518	11,377	1,636	2,007
Advance from customers	26,575	3,358	2,062	2,062
Interest-bearing loans and borrowings	929	33,663	-	30,902
Derivative financial instruments	126	4,995	-	-
Finance lease liabilities	203	576	-	-
Deferred income	10,133	12,197	-	-
Tax payable	17	973		
Total current liabilities	105,722	102,416	5,452	35,983
Net current assets	149,247	92,101	123,149	33,160
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	120,607	115,001	118,474	36,518
Finance lease liabilities	247	-	· -	-
Deferred tax liabilities	5,218	4,136	159	159
Total non-current liabilities	126,072	119,137	118,633	36,677
Net assets	227,032	219,634	144,899	144,306

	Group 30 Jun 07 \$'000	Group 31 Dec 06 \$'000	Company 30 Jun 07 \$'000	Company 31 Dec 06 \$'000
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Share capital	92,549	91,142	92,549	91,142
Capital reserve	987	987	-	-
Foreign currency translation reserve	(2,923)	(4,550)	-	-
Hedging reserve	(4,864)	(7,839)	-	563
Employee share option reserve	7,831	6,288	7,831	6,288
Revenue reserve	113,803	115,054	44,519	46,313
Shareholders' equity	207,383	201,082	144,899	144,306
Minority interests	19,649	18,552		
Total equity	227,032	219,634	144,899	144,306
Group net borrowings (S\$)	72,818	93,413	n.a.	n.a.
Group net gearing (times)	0.32x	0.43x	n.a.	n.a.

Notes: Numbers in all tables may not exactly add due to rounding

# **NOTES TO BALANCE SHEETS**

# 2(a) Group's borrowings and debt securities

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

30 Jun 07		31 Dec 06		
Secured	Unsecured	Secured	Unsecured	
S\$'000	S\$'000	S\$'000	S\$'000	
762	370	2,543	31,696	

# (ii) Amount repayable after one year

30 Jun 07		31 Dec 06		
Secured	Unsecured	Secured	Unsecured	
S\$'000	S\$'000	S\$'000	S\$'000	
2,380	118,474	78,483	36,518	

# **Details of any collateral**

Certain subsidiaries of the Group have provided corporate guarrantees to the financial institutions for the loans extended to the Company. A subsidiary's bank loan is secured by a lien over its inventory and receivables and partially guaranteed by a director of the subsidiary and financial institution.

# 2(b) Net assets value

	30 Jun 2007 Cents	31 Dec 2006 Cents
Net assets value per ordinary share of:		
Group	39.9	38.8
Company	27.9	27.8

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

	Second Quarter			Half Year		
	30 Jun 07	30 Jun 06	+/(-)	30 Jun 07	30 Jun 06	+/(-)
	\$'000	\$'000	%	\$'000	\$'000	%
Cash flows from operating activities						
Profit before taxation	5,175	2,697		7,817	13,832	
Adjustments:						
Cost of share-based payments	840	657		1,543	1,808	
Fair value loss / (gain) on financial	400	(4.0)		0.000	(4.00)	
instruments	128	(18)		3,062	(162)	
Gain on sale of partial interest in a joint venture	(96)	_		(8,185)	_	
Gain on sale of a subsidiary and an associate	(00)	_		(0,100)	(1,655)	
Gain on sale of property, plant and equipment	(50)	(19)		(112)	(1,333)	
Share of results of associates	747	18		88	947	
Depreciation and amortisation	1,911	1,366		3,499	2,342	
Financial expense	405	1,248		1,754	2,480	
Financial income	(305)	(394)		(609)	(1,057)	
Negative goodwill on acquisition of business	(2,620)	(394)		, ,	(1,037)	
	(2,020)	-		(2,620)	-	
(Reversal of) / Allowance for doubtful debts - trade	(141)	1,677		156	1,224	
Allowance for inventory obsolescence	8	1,077		42	100	
Write-off for inventory obsolescence	-	' _		113	-	
Government grants	_	424		-	424	
•		<u> </u>				
Operating cash flows before working capital changes	6,002	7,657	(22%)	6,548	20,264	(68%)
	<u>,                                      </u>		(/			()
Inventories	(3,066)	4,000		(5,885)	(1,088)	
Gross amounts due for contract work	(13,209)	(13,885)		(15,142)	(26,371)	
Trade receivables	1,228	17,459		(4,563)	5,998	
Other receivables, deposits and prepayments	(5,736)	9,377		(21,233)	7,506	
Due from related parties	(5,558)	5,022		(4,042)	9,473	
Trade payables	8,154	(2,055)		8,364	(7,897)	
Other payables and accruals	780	3,433		(577)	(305)	
Advances from customers	17,468	(4,528)		23,216	(443)	
Deferred income	2,166	(132)		(2,064)	382	
Total working capital changes	2,227	18,691	NM	(21,926)	(12,745)	NM
Cash generated from / (used in) operations	8,229	26,348		(15,378)	7,519	
Tax paid	(366)	(532)		(968)	(579)	
Net cash generated from / (used in) operating activities	7,863	25,816	(70%)	(16,346)	6,940	NM

	Second Quarter			Half Year			
	30 Jun 07	30 Jun 06	+/(-)	30 Jun 07	30 Jun 06	+/(-)	
	\$'000	\$'000	%	\$'000	\$'000	%	
Cash flows from investing activities							
Purchase of property, plant and equipment	(6,214)	(1,694)		(7,275)	(3,347)		
Construction in progress	(7,893)	3,525		(8,749)	3,625		
Acquisition of intangible assets	(2,583)	(4,625)		(4,327)	(5,592)		
Cash outflow from sale of a subsidiary and an associate [Note 3(b)]	-	-		-	(4,521)		
Proceeds from partial sale of interest in a joint venture [Note 3(a) ]	96			16,058			
Proceeds from disposal of property, plant and equipment	50	54		112	54		
Long-term investments	(2)	2,888		(1,083)	-		
Short-term investments	-	-		-	2,000		
Investment in associate	(1,484)	-		(1,484)	-		
Deposit for purchase of land	(21,403)	-		(21,403)	-		
Downpayment for acquisition of subsidiaries	-	(5,708)		-	(10,733)		
Acquisition of a subsidiary, net of cash acquired [Note 3(c)]	-	(3,648)		-	(3,648)		
Acquisition of business [Note 3(d)]	(6,921)	-		(6,921)	-		
Due from related party	-	(3,930)		-	(7,990)		
Interest received	305	394		609	1,057		
Government grants received		229			229		
Net cash used in investing activities	(46,049)	(12,515)	NM	(34,463)	(28,866)	19%	
Cash flows from financing activities							
Proceeds from issuance of new shares under Employees' Share Option Scheme	701	315		1,407	1,435		
Repayment of short-term loans	117	(5,393)		(31,848)	(7,536)		
Proceeds from long-term loans	59,920	2,081		81,696	5,234		
Repayment of finance lease obligations	(63)	-		(127)	-		
Interest paid	(405)	(1,248)		(1,754)	(2,480)		
Payments of dividends	(7,017)	(6,963)		(7,017)	(6,963)		
Net cash generated from / (used in) financing activities	53,253	(11,208)	NM	42,357	(10,310)	NM	
Net increase / (decrease) in cash and cash							
equivalents	15,067	2,093		(8,452)	(32,236)		
Cash and cash equivalents at beginning of the	00.007	E0 E00		FF 007	00.440		
period	32,087	59,583 (5.41)		55,827	96,412		
Effect of exchange rate changes  Cash and cash equivalents at end of the	2,014	(541)		1,793	(3,041)		
period	49,168	61,135	(20%)	49,168	61,135	(20%)	

Notes: Numbers in all tables may not exactly add due to rounding

# NOTES TO CONSOLIDATED CASHFLOW STATEMENTS

# 3(a) The values of assets and liabilities of joint venture disposed were as follows :

	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000
Current assets	-	-	4,248	-
Non-current assets	-	-	39,667	-
Current liabilities	-	-	(2,827)	-
Non-current liabilities	-		(31,699)	
Net assets sold	-	-	9,389	-
Gain on partial disposal	96	-	8,185	-
Professional fees incurred	-		143	-
Cash proceeds from sale	96	-	17,717	-
Less: Professional fees incurred	-	-	(143)	-
Less: Cash of joint venture	-		(1,516)	
Cash inflow on partial sale of interest in a joint venture	96		16,058	

# 3(b) The values of assets and liabilities of a subsidiary and an associate disposed were as follows :

	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000
Current assets	-	-	-	23,505
Non-current assets	-	-	-	7,218
Current liabilities	-	-	-	(17,128)
Non-current liabilities	-	=	-	(5)
Minority interest	-	=_		(3,044)
Net assets sold	-	-	-	10,546
Gain on sale of subsidiary	-	<u>-</u> _		1,655
Cash proceed from sale	-	-	-	12,201
Cash proceeds from sale of subsidiary	-	-	-	2,686
Cash proceeds from sale of associate	-			9,515
Total cash proceeds	-	-	-	12,201
Less: Cash in subsidiary	-			(16,722)
Cash outflow on sale of a subsidiary and an associate	-			(4,521)

# 3(c) The values of assets and liabilities of a subsidiary acquired were as follows :

	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000
Cash	-	464	-	464
Current assets	-	1,914	-	1,914
Non-current assets	-	19,439	-	19,439
Current liabilities	-	(18,544)	-	(18,544)
Non-current liabilities	-	(1,098)	-	(1,098)
Minority interest		(466)		(466)
Net assets acquired	-	1,709	-	1,709
Positive goodwill on consolidation		2,403		2,403
Purchase Consideration	-	4,112	-	4,112
Less: Cash of subsidiaries acquired		(464)	<u>-</u>	(464)
Cash outflow on acquisition of subsidiaries		3,648		3,648

# 3(d) The values of assets and liabilities of business acquired were as follows :

	1 Apr 07 to 30 Jun 07 \$'000	1 Apr 06 to 30 Jun 06 \$'000	1 Jan 07 to 30 Jun 07 \$'000	1 Jan 06 to 30 Jun 06 \$'000
Non-current assets	24,364	-	24,364	-
Non-current liabilities	(873)	<u>-</u> _	(873)	<u>-</u>
Net assets acquired	23,491	-	23,491	-
Negative goodwill on acquisition of business	(2,620)	<u> </u>	(2,620)	-
Purchase Consideration	20,871	-	20,871	-
Less: Payable for acquisition of a business	(13,950)	-	(13,950)	
Cash outflow on acquisition of business	6,921	<u>-</u>	6,921	

4 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	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	Revenue reserve	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group – 2007</u>										
At 1.4.2007	91,848	-	987	(4,851)	(4,087)	6,991	116,294	207,182	18,709	225,891
Issuance of shares for cash under Employees' Share Option Scheme	701	-	-	-	-	-	-	701	-	701
Net fair value loss of derivative financial instruments	-	-	-	-	(777)	-	-	(777)	-	(777)
Foreign currency translation differences	-	-	-	1,928	-	-	-	1,928	271	2,199
Cost of share-based payment	-	-	-	-	-	840	-	840	-	840
Net profit for the period	-	-	-	-	-	-	4,526	4,526	669	5,195
Dividends	-	-	-		-	-	(7,017)	(7,017)	-	(7,017)
At 30.6.2007	92,549	-	987	(2,923)	(4,864)	7,831	113,803	207,383	19,649	227,032
At 1.1.2007	91,142	-	987	(4,550)	(7,839)	6,288	115,054	201,082	18,552	219,634
Issuance of shares for cash under Employees' Share Option Scheme	1,407	-	-	-	-	-	-	1,407	-	1,407
Net fair value gain of derivative financial instruments	-	-	-	-	3,538	-	-	3,538	-	3,538
Recognised in profit and loss account on maturity of financial instruments	-	-	-	-	(563)	-	-	(563)	-	(563)
Foreign currency translation differences	-	-	-	1,627	-	-	-	1,627	244	1,871
Cost of share-based payment	-	-	-	-	-	1,543	-	1,543	-	1,543
Net profit for the period	-	-	-	-	-	-	5,766	5,766	853	6,619
Dividends	-	-	-	-	-	-	(7,017)	(7,017)	-	(7,017)
At 30.6.2007	92,549	-	987	(2,923)	(4,864)	7,831	113,803	207,383	19,649	227,032

Attributable to shareholders of the Company										
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Employee share option reserve \$'000	Revenue reserve \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
<u>Group – 2006</u>										
At 1.4.2006 Issuance of shares for cash under Employees' Share Option Scheme	89,542 28	-	987	(2,605)	(3,593)	4,003 286	114,655	202,989 314	4,672	207,661 314
Net fair value loss of derivative financial instruments	-	-	-	-	(148)	-	-	(148)	-	(148)
Foreign currency translation differences	-	-	-	(504)	-	-	-	(504)	(43)	(547)
Cost of share-based payment	-	-	-	-	-	657	-	657	-	657
Acquisiton of subsidiary	-	-	-	-	-	-	-	-	466	466
Net profit for the period	-	-	-	-	-	-	2,993	2,993	(548)	2,445
Dividends	-	-	-	-	-	-	(6,963)	(6,963)	-	(6,963)
At 30.6.2006	89,570	-	987	(3,109)	(3,741)	4,946	110,685	199,338	4,547	203,885
At 1.1.2006 Effects of Companies (Amendment)	25,728	62,693	987	(617)	(7,143)	2,852	105,063	189,563	7,723	197,286
Act 2005	62,693	(62,693)	-	-	-	-	-	-	-	-
Issuance of shares for cash under Employees' Share Option Scheme	1,149	-	-	-	-	286	-	1,435	-	1,435
Net fair value gain of derivative financial instruments	-	-	-	-	3,402	-	-	3,402	-	3,402
Reduction of MI due to disposal of subsidiary	-	-	-	-	-	-	-	-	(3,044)	(3,044)
Foreign currency translation differences	-	-	-	(2,492)	-	-	-	(2,492)	(209)	(2,701)
Cost of share-based payment	-	-	-	-	-	1,808	-	1,808	-	1,808
Acquisiton of subsidiary	-	-	-	-	-	-	-	-	466	466
Net profit for the period	-	-	-	-	-	-	12,585	12,585	(389)	12,196
Dividends	-	-	-	-	-	-	(6,963)	(6,963)	-	(6,963)
At 30.6.2006	89,570	-	987	(3,109)	(3,741)	4,946	110,685	199,338	4,547	203,885

	Share capital \$'000	Share premium \$'000	Hedging reserve \$'000	Employee share option reserve \$'000	Revenue reserve \$'000	Total equity \$'000
<u>Company – 2007</u>						
At 1.4.2007	91,848	-	-	6,991	53,947	152,786
Issuance of shares for cash under Employees' Share Option Scheme	701	-	-	-	-	701
Cost of share-based payments	-	-	-	840	-	840
Net loss for the period	-	-	-	-	(2,411)	(2,411)
Dividends		-	-	-	(7,017)	(7,017)
At 30.6.2007	92,549	-	-	7,831	44,519	144,899
At 1.1.2007	91,142	-	563	6,288	46,313	144,306
Issuance of shares for cash under Employees' Share Option Scheme	1,407	-	-	-	-	1,407
Recognised in profit and loss account on maturity of financial instruments	-	-	(563)	-	-	(563)
Cost of share-based payments	-	-	-	1,543	-	1,543
Net profit for the period	-	-	-	-	5,223	5,223
Dividends			-	-	(7,017)	(7,017)
At 30.6.2007	92,549	-	-	7,831	44,519	144,899

	Share capital \$'000	Share premium \$'000	Hedging reserve \$'000	Employee share option reserve \$'000	Revenue reserve \$'000	Total equity \$'000
<u>Company – 2006</u>						
At 1.4.2006	89,542	-	611	4,003	54,294	148,450
Issuance of shares for cash under Employees' Share Option Scheme	28	-	-	286	-	314
Net fair value gain of derivative financial instruments	-	-	29	-	-	29
Cost of share-based payments	-	-	-	657	-	657
Net profit for the period	-	-	-	-	942	942
Dividends	-	-	-	-	(6,963)	(6,963)
At 30.6.2006	89,570	-	640	4,946	48,273	143,429
At 1.1.2006	25,728	62,693	379	2,852	56,570	148,222
Effects of Companies (Amendment) Act 2005	62,693	(62,693)	-	-	-	-
Issuance of shares for cash under Employees' Share Option Scheme	1,149	-	-	286	-	1,435
Net fair value gain of derivative financial instruments	-	-	261	-	-	261
Cost of share-based payments	-	-	-	1,808	-	1,808
Net loss for the period	-	-	-	-	(1,334)	(1,334)
Dividends	-	-	-	-	(6,963)	(6,963)
At 30.6.2006	89,570	-	640	4,946	48,273	143,429

- 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. For the three months ended 30 June 2007, 1,740,500 new ordinary shares were issued pursuant to options exercised under the Hyflux Employees Shares Options Scheme ("Scheme"). For the six months ended 30 June 2007, 2,512,500 shares were issued pursuant to the scheme.
  - 2. For the six months ended 30 June 2007, 2,120,000 options were granted under the Scheme, of which 2,120,000 were granted in 2Q2007.
  - 3. As at 30 June 2007, the number of outstanding and unexercised Options granted under the Scheme was 21,573,593 (30 June 2006: 21,636,843).
  - 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2410, Review of Interim Financial Information Performed by Independent Auditors of the Entity

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.

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

Not applicable.

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

	Secon	d Quarter	Half Year	
	Apr - Jun 2007 Cents	Apr - Jun 2006 Cents	Jan - Jun 2007 Cents	Jan - Jun 2006 Cents
Earnings per ordinary share after deducting any provision for preference dividends were:				
Based on the weighted average of 519,897,277 (30 Jun 2006: 515,602,860) ordinary shares in issue; and	0.87	0.58	1.11	2.44
On a fully diluted basis of 525,185,551 (30 Jun 2006: 526,810,984) shares	0.86	0.57	1.10	2.39

7. 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

#### 7(a) Profit and Loss Account Analysis

#### Second Quarter

#### Revenue

Group revenue for the second quarter increased marginally by 3% to \$38.8 million compared to the previous corresponding quarter.

Industrial sales increased by 23% to \$34.4 million from \$28.0 million due to completion of projects.

Municipal sales were lower by 57% to \$3.5million for this financial period from \$8.1 million for the previous corresponding period mainly due to full elimination of the EPC revenue under SinoSpring Utility Ltd ("SinoSpring") as a result of the increase in equity stake in SinoSpring from 50% to 80% since July 2006. Lower municipal revenue in Singapore is in line with the partial divestment of SingSpring as well as lower revenue from the Middle East.

#### Costs and Expenses

Raw materials and consumables increased by 4% to \$23.0 million from \$22.0 million in the previous financial period, in line with the increase of sales this quarter.

Personnel expenses increased by 52% to \$6.4 million from \$4.2 million for the previous corresponding period as the Group made further investments in human capital for investment evaluation of projects, oil recycling business, engineering and other corporate staff which is necessary to support the Group's expansion plans.

Depreciation and amortisation increased by 40% from \$1.4 million to \$1.9 million this financial period due to the increase in property, plant and equipment and intangible assets from the previous financial year.

Financial expense decreased by 68% to \$0.4 million from \$1.2 million in the previous financial period as the Group ceased to consolidate proportionately the finance expense of SingSpring Pte Ltd after the divestment in February 2007.

Share of losses from associates for the three months ended 30 June 2007 increased to \$0.7 million due mainly to the adjustment of hedging reserve to the profit and loss account.

For the three months ended 30 June 2007, the Group recognised a negative goodwill amounting to approximately \$2.6 million resulting from acquisition of business.

The Group recorded other non-operating income of \$0.5 million this financial period as compared to the non-operating expense of \$1.1 million in the previous corresponding period. This is because of the foreign exchange gain amounting to about \$0.1 million this financial period as compared to the foreign exchange loss of about \$1.4 million in the previous corresponding period.

The tax benefit in current financial period arose from the recognition of deferred tax assets for un-utilised tax credits. This tax benefit is partially offset by the additional tax provision made in this guarter.

As a result of the abovementioned factors, net profit for the three months ended 30 June 2007 increased 113% to \$5.2 million from \$2.4 million in the previous corresponding period.

#### Half Year

#### Revenue

For the six months ended 30 June 2007, the Group's revenue were lower by 27% to \$52.1 million, compared to \$71.2 million for the previous corresponding period.

Municipal sales were lower by 65% to \$8.1 million for this financial period from \$23.2 million for the previous corresponding period mainly due to full elimination of the EPC revenue under SinoSpring as a result of the increase in equity stake in SinoSpring from 50% to 80% since July 2006. Lower municipal revenue in Singapore is in line with the partial divestment of SingSpring as well as lower revenue from the Middle East.

Industrial sales were lower by 7% to \$43.1 million from \$46.4 million as a result of the lead time between new contracts signed and execution and delivery of these new projects, and no technology license fee recognised in this period as compared to the S\$ 4.9 million in the previous corresponding period.

China continued to be the main revenue driver, contributing 74% of total revenue for the current six months. This remains consistent with prior year where China contributed 69% of total revenue. In line with the restructuring of the investments in Middle East, Middle East/Others accounted for 13% of total revenue in this financial period as compared to 14% in previous corresponding period.

#### Costs and Expenses

Raw materials and consumables decreased by 17% to \$27.9 million from \$33.8 million in line with lower revenue.

Personnel expenses increased by 19% to \$11.4 million from \$9.6 million for the previous corresponding period as the Group continues to invest in human capital which is necessary to support the Group's expansion plans into China, India, MENA and oil recycling businesses.

Depreciation and amortisation increased by 49% from \$2.3 million to \$3.5 million this financial period due to the increase in property, plant and equipment and intangible assets from the previous financial year.

During the six months ended 30 June 2007, the Group recorded a \$8.2 million gain on partial sale of its 50% joint venture, SingSpring Pte Ltd ("SingSpring") which owns a seawater desalination plant. Subsequent to the divestment in February 2007, the Group holds 30% interest in the desalination plant via SingSpring Trust.

The financial income decreased by 42% from \$1.1 million to \$0.6 million. The decrease in financial income is due to the decrease in interest income earned from the lower fixed deposits held with banks. Financial expenses decreased by 29% from \$2.5 million to \$1.8 million as the Group ceased to consolidate proportionately the finance expenses of SingSpring Pte Ltd after divestment in February 2007.

The Group has transferred an amount of \$3.3 million in the hedging reserve to the profit and loss account due to the adjustment in hedging instrument.

Share of results of associates decrease by 91% from a loss of \$0.9 million to a loss of \$0.1 million due to the increased in share of profits from one of the associate in this financial period.

For the six months ended 30 June 2007, the Group recognised a negative goodwill amounting to approximately \$2.6 million resulting from acquisition of business.

The Group recorded other non-operating income of \$0.6 million this financial period as compared to the non-operating expense of \$1.9 million in the previous corresponding period. This is because of the foreign exchange losses amounting to about \$0.1 million this financial period as compared to \$2.0 million in the previous corresponding period.

Tax expense decreased by 27% in this period as compared to a year ago due to the lower profit in this financial period. The effective tax rate for the six months ended 30 June 2007 increased to 15% from 12% in the previous corresponding period mainly due to certain expenses not being deductible for income tax purposes .

Overall, the net impact of the above resulted in net profit for the Group of \$6.6 million as compared to \$12.2 million a year ago.

#### Earnings Per Share

# Second Quarter

Basic earnings per share increased by 50% from 0.58 cents to 0.87 cents in 2Q2007. The fully diluted earnings per share has also increased from 0.57cents to 0.86 cents. This was mainly due to higher profits generated as compared to the preceding corresponding period.

#### Half Year

Basic earnings per share decreased from 2.44 cents to 1.11 cents due mainly to lower profits. The fully diluted earnings per share has also decreased from 2.39 cents to 1.10 cents as compared to the preceding corresponding period. The decrease is due to the lower profit for the six months ended 30 June 2007.

#### 7(b) Balance Sheets Analysis

#### Group

#### Non-Current Assets

Non-current assets decreased by \$42.8 million or 17% compared to 31 December 2006. This is mainly due to the divestment of SingSpring desalination plant in February 2007, which resulted in a substantial decrease in lease receivables amounted to approximately \$100 million. This decrease is offset by an increase in property, plant and equipment and intangible assets of about \$34.8 million and \$6.5 million respectively. The acquisition of a business in this quarter contributed to an increase of plant and equipment of about \$20.9 million.

Investment in associate increased by \$16.4 million due mainly to the change in status of the Group's investment in SingSpring plant from a joint venture to an associate. As a result of the divestment in SingSpring in February 2007, the Group ceases to consolidate proportionately the results of SingSpring but equity account the results of SingSpring plant. In addition, the Group also acquired a new associate in this financial period.

#### Working Capital

Total current assets increased by \$60.5 million or 31% to \$255.0 million from \$194.5 million due mainly to the increase in other receivables, deposits and prepayments of about \$41.7 million and inventories and trade receivables of \$10.6 million.

As at 30 June 2007, other receivables, deposits and prepayments included \$10.4 million of trade deposits for upcoming projects and advances to suppliers and deposit for purchase of land of \$21.4 million. The Group also increased its inventories balance by about \$5.7 million from 31 December 2006 in anticipation of project requirements in the short term. Gross amounts due from contract work increased to \$65.4 million from \$50.7 million as at 31 December 2006 as a result of revenue recognised this period.

Total current liabilities increased by \$3.3 million or 3% to \$105.7 million from \$102.4 million. The increase in trade payables and advance from customers of about \$31.2 million is due to new contracts awarded to the Group.

Other payables and accruals increased by \$13.1 million to \$24.5 million from \$11.4 million as at 31 December 2006 due mainly to the outstanding payment for the acquisiton of subsidiary in this quarter.

The above increase in current liabilities is offset by the net repayment of interest-bearing loan of about \$32.7 million, and reduction in derivative financial instrument of \$4.9 million due to the divestment of SingSpring.

Overall, working capital increased by 62% to \$149.2 million from \$92.1 million.

# Non-current liabilities

Non-current liabilities increased by 6% to \$126.1 million from \$119.1 million due to the divestment of SingSpring which resulted in a reduction of interest bearing loan of approximately \$76.0 million as compared to 31 December 2006. This decrease was offset by the additional \$81.7 million drawdown of bank loan this quarter.

#### Shareholders' Equity

Shareholders equity increased by \$6.3 million or 3% to \$207.4 million from \$201.1 million as at 31 December 2006 mainly due to the reduction in hedging reserve of about \$3.0 million, reduction in foreign currency translation loss of about \$1.6 million, the increase in employee share option reserve of about \$1.5 million as well as the issuance of new shares of about \$1.4 million.

#### **Debt to Equity Ratio**

The net debt to equity ratio for the Group decreased to 0.32 as at 30 June 2007 from 0.43 as at 31 December 2006 due to the reduced Group borrowings as a result of the divestment of SingSpring.

#### Balance Sheet - Company

Non-current assets decreased by 5% to \$140.4 million from \$147.8 million due to the reduction in interests in the SingSpring plant from 50% to 30%.

Increase in current assets of \$59.5 million or 86% to \$128.6 million from \$69.1 million is mainly due to shareholder's loan of \$48.7 million granted to subsidiaries.

Current liabilities decreased to \$5.5 million from \$36.0 million as at 31 December 2006 is mainly due to the repayment of bank loan of approximately \$30.5 million.

Non-current liabilities increased to \$118.6 million from \$36.7 million as a result of the additional \$81.7 million drawdown of bank loan during this financial period.

Shareholders' equity for the Company increased by \$0.6 million to \$144.9 million mainly due to the increase in employee share option reserve of about \$1.5 million and issue of new shares of \$1.4 million.

# **Cashflow Statement**

#### Second Quarter

The Group's cash position as of 30 June 2007 was \$49.2 million, down by \$11.9 million compared to 30 June 2006.

Net cash generated from operation for second quarter was \$7.9 million compared to \$25.8 million in the preceding corresponding period due mainly to the increased working capital requirements in this period.

Cash used in investing activities amounted to \$46.0 million, as compared to \$12.5 million in the preceding corresponding period. The increase in cash outflows was mainly due to the \$21.4 million deposits for land and acquisition of business of \$6.9 million in this period. The increase in property, plant and equipment of \$6.2 million and construction in progress of \$7.9 million, also contributed to the cash used in investing activities this financial period.

Cash generated from financing activities amounted to about \$53.3 million in this financial period as compared to cash used in financing activities of \$11.2 million a year ago. This was due to \$59.9 million term loan drawn down this quarter.

#### Half Year

Net cash used in operations for the six months ended 30 June 2007 amounted to about \$16.3 million compared to net cash generated from operations of \$6.9 million last year. This is due mainly to the increase in working capital requirements for upcoming projects.

Cash used in investing activities amounted to \$34.5 million, as compared to \$28.9 million a year ago. The cash outflows used in investing activities this financial period is a result of purchase of property, plant and equipment, increase in construction in progress as well as the deposits for purchase of land.

Cash generated from financing activities approximates \$42.3 million in this financial period as compared to the cash used in financing activities of \$10.3 million a year ago. This is due mainly to the draw-down of term loans of \$81.7 million and repayment of short term loans of \$31.8 million.

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

Not applicable.

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

Hyflux remains optimistic about the prospect of the water treatment, wastewater treatment and used oil recycling sectors especially in Asia and the Middle East region. The fundamentals of the Group remains strong as the Group focus on development as well as execution of projects in target regions – China, India and the Middle East Northern African Region.

The Group continues to invest in critical areas of growth that have been identified. Notwithstanding tight labour market, we have been able to attract qualified management personnel for the execution of the Group's strategy and expansion plans.

Global trends in commodity metal prices may have an effect on margins.

#### **Municipal Sector**

#### China

China remains a significant market for the Group due to the country's twin problem on water scarcity and pollution. The China government's continued intervention through emphasis on water scarcity and pollution issues has presented opportunities to the Group

To date, the Group has been awarded a total of 25 BOO/BOT projects in China from 12 projects as of June 2006 and are developing more projects in the water desalination, water and wastewater treatment and recycling for the municipal government and industrial park owners. The Group had delivered 5 wastewater treatment projects which are fully operational and acquired another operational plant on a Transfer-Operate-Transfer basis ("TOT"). The capacity utilisation of these existing plants are expected to step up in the coming quarters.

# The MENA Region

The Consortium led by Malakoff Berhad is in its final stage of finalising the various contracts. The financial close is expected to be completed by end of 2007 and construction will commence thereafter. Currently, the Group is also pursuing other projects in Algeria and the MENA region.

#### **Industrial Sector**

The orders from Industrial sector remained positive as the Group secured a number of new contracts, underpinned by the Group's competitive solutions using a wide range of membranes to customers in various sectors. Revenue on a quarter-to-quarter basis will continue to be governed by project development cycles.

#### **Used oil recovery Sector**

Our new area of growth is making good progress in Saudi Arabia with the signing of shareholder's agreement with SEDCO (Saudi Economic Development Company) and LUBREC (Lube Oil Re-refining Co) to jointly invest \$\$45 million to build and own a used-oil recycling plant in Jeddah, Saudi Arabia.

Our activities in this area focused on China, India and Singapore are on track.

Revenues are expected to be realised from 2008

#### **Funding**

The Group has a current order book of S\$ 827 million (Comprising S\$427 million from Algeria and industrial; S\$400 million from BOO/BOT projects in China). Net debt-equity ratio as of June 2007 is 0.32 and the Group's balance sheet remains healthy to support the Group's continuous expansion of its business activities.

Given the Group's asset light strategy, the potential injection of SinoSpring projects to a trust structure will enable the Group to re-deploy its capital to fuel the Group's expansion plans.

# 10. 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

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

Not applicable

# 12. Confirmation by the Board

The directors of the Company confirm that, to the best of their knowledge, nothing has come to their attention which may render the 2QFY2007 financial results to be false or misleading in any material respect.

# BY ORDER OF THE BOARD

Grace Goh Company Secretary 14 August 2007