



HYFLUX LTD  
 Registration number : 200002722Z

**Unaudited Financial Statements For The Financial Year Ended 31 December 2010**

1 (a)(i) **An income statement (for the Group) together with a comparative statement for the corresponding period for the immediately preceding financial year.**

**CONSOLIDATED INCOME STATEMENT  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	<u>Group</u>		Change %
	2010 S\$'000	2009 S\$'000	
<b>Revenue</b>	569,737	524,814	9
Other income	6,855	6,707	2
Changes in inventories of finished goods and work-in-progress	2,641	1,332	98
Raw materials and consumables used and subcontractors' cost	(302,961)	(309,371)	(2)
Personnel expenses	(65,408)	(59,428)	10
Depreciation, amortisation and impairment	(17,145)	(16,521)	4
Other expenses	(78,445)	(57,936)	35
Finance costs	(16,760)	(9,259)	81
Share of profit of associates, net of income tax	<u>1,959</u>	<u>2,634</u>	(26)
<b>Profit before income tax</b>	<b>100,473</b>	<b>82,972</b>	<b>21</b>
Income tax expense	<u>(11,588)</u>	<u>(8,681)</u>	<b>33</b>
<b>Profit for the year</b>	<b><u>88,885</u></b>	<b><u>74,291</u></b>	<b>20</b>
<b>Profit attributable to:</b>			
Owners of the Company	88,510	75,036	18
Non-controlling interests	<u>375</u>	<u>(745)</u>	<b>NM</b>
	<b><u>88,885</u></b>	<b><u>74,291</u></b>	<b>20</b>

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	<u>Group</u>		
	2010	2009	Change
	S\$'000	S\$'000	%
<b>Profit for the year</b>	88,885	74,291	20
<b>Other comprehensive income for the year</b>			
Foreign currency translation differences for foreign operations	(20,310)	(5,117)	NM
Share of net fair value gain on derivative financial instruments of associates	424	644	(34)
Net change in fair value of cash flow hedges transferred to profit or loss	431	6,069	(93)
Effective portion of changes in fair value of cash flow hedges	2,301	67	NM
Share of statutory reserve of associates	(102)	102	NM
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<u>(17,256)</u>	<u>1,765</u>	<b>NM</b>
<b>Total comprehensive income for the year</b>	<u><b>71,629</b></u>	<u><b>76,056</b></u>	<b>(6)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	72,384	77,204	(6)
Non-controlling interests	(755)	(1,148)	(34)
	<u><b>71,629</b></u>	<u><b>76,056</b></u>	<b>(6)</b>

NM: Not meaningful

**NOTES TO CONSOLIDATED INCOME STATEMENT**

**1 (a)(iii) Profit before tax of the Group is arrived at after (charging)/crediting the following: -**

	<u>Group</u>		
	2010	2009	Change
	S\$'000	S\$'000	%
Fair value gain/(loss) on derivative financial instruments	754	(479)	NM
Finance income	3,125	3,258	(4)
Net foreign exchange loss	(16,355)	(2,110)	NM
Impairment of trade and other receivables	(1,526)	(1,845)	(17)
Bad debts recovered	822	98	NM
Impairment of goodwill	(2,402)	-	NM
Impairment of investments	(264)	(2,058)	(87)
Allowance for inventory obsolescence	(1,412)	(863)	64
Gain on sale of investment property	1,186	-	NM
Loss on sale of property, plant and equipment	(380)	(1,392)	(73)
Impairment of intangible assets	(97)	-	NM
Impairment of property, plant and equipment	<u>(7,857)</u>	<u>-</u>	NM

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.**

**BALANCE SHEETS AS AT 31 DECEMBER 2010**

	Group		Company	
	2010	2009	2010	2009
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>NON-CURRENT ASSETS</u></b>				
Property, plant and equipment	155,826	134,926	-	-
Investment property	-	2,116	-	-
Intangible assets	62,075	61,744	1,779	1,810
Intangible assets arising from service concession agreements	129,494	27,871	-	-
Investments in subsidiaries	-	-	119,820	130,920
Investment in joint venture	-	-	3,125	3,125
Investments in associates	75,032	102,654	13,320	12,955
Other investments	-	99	-	-
Financial receivables, including derivatives	226,149	155,947	-	-
Trade and other receivables	15,816	35,312	16,924	18,296
Deferred tax assets	1,616	2,761	-	-
	<b>666,008</b>	<b>523,430</b>	<b>154,968</b>	<b>167,106</b>
<b><u>CURRENT ASSETS</u></b>				
Gross amounts due for contract work	254,469	119,994	-	-
Inventories	26,261	32,497	-	-
Financial receivables	5,851	7,818	-	-
Trade and other receivables	182,398	222,089	608,382	524,628
Cash and fixed deposits	222,286	166,735	65,656	62,860
Available-for-sale financial assets	2,429	-	2,429	-
	<b>693,694</b>	<b>549,133</b>	<b>676,467</b>	<b>587,488</b>
<b><u>CURRENT LIABILITIES</u></b>				
Trade and other payables, including derivatives	210,038	265,772	73,480	244,742
Financial liabilities	95,660	45,305	52,538	44,137
Tax payable	10,251	6,794	2,893	-
	<b>315,949</b>	<b>317,871</b>	<b>128,911</b>	<b>288,879</b>
<b>Net current assets</b>	<b>377,745</b>	<b>231,262</b>	<b>547,556</b>	<b>298,609</b>
<b><u>NON-CURRENT LIABILITIES</u></b>				
Financial liabilities	503,606	355,018	443,668	297,233
Deferred tax liabilities	25,640	6,272	-	-
	<b>529,246</b>	<b>361,290</b>	<b>443,668</b>	<b>297,233</b>
<b>Net assets</b>	<b>514,507</b>	<b>393,402</b>	<b>258,856</b>	<b>168,482</b>
<b><u>EQUITY</u></b>				
Share capital	207,474	105,114	207,474	105,114
Reserve for own shares	(1,292)	(1,292)	(1,292)	(1,292)
Capital reserve	4,752	8,627	-	-
Foreign currency translation reserve	(14,637)	4,543	-	-
Hedging reserve	(3,560)	(6,716)	-	-
Employees' share option reserve	18,609	16,780	18,609	16,780
Retained earnings	291,155	238,188	34,065	47,880
<b>Total equity attributable to equity holders of the Company</b>	<b>502,501</b>	<b>365,244</b>	<b>258,856</b>	<b>168,482</b>
<b>Non-controlling interests</b>	<b>12,006</b>	<b>28,158</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>514,507</b>	<b>393,402</b>	<b>258,856</b>	<b>168,482</b>
<i>Group net borrowings (S\$)</i>	376,980	233,588	n.a.	n.a.
<i>Group net gearing (times)</i>	0.73x	0.59x	n.a.	n.a.

## NOTES TO BALANCE SHEETS

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

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

31 Dec 10		31 Dec 09	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
43,122	52,538	1,168	44,137

#### (ii) Amount repayable after one year

31 Dec 10		31 Dec 09	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	503,606	27	354,991

#### Details of any collateral

As at 31 Dec 2009, a subsidiary's bank loan was secured by a lien over its inventories and receivables and certain cash balances of the subsidiary.

As at 31 Dec 2010, a joint venture's bank loans are secured by share mortgages of all its shares of the subsidiaries incorporated or formed to hold or own its China subsidiaries.

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

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	<u>Group</u>	
	2010	2009
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	100,473	82,972
Adjustments for:		
Employees' share option expense	1,829	3,809
Fair value (gain)/loss on derivative financial instruments	(754)	479
Gain on sale of investment property	(1,186)	-
Loss on sale of property, plant and equipment	380	1,392
Gain on sale of investment in associate	(22,787)	-
Gain on sale of other investments	-	(44)
Share of profit of associates	(1,959)	(2,634)
Depreciation, amortisation and impairment	17,145	16,521
Impairment of property, plant and equipment	7,857	-
Impairment of intangible assets	97	-
Finance costs	16,760	9,259
Finance income	(3,125)	(3,258)
Impairment of trade and other receivables	1,526	1,845
Impairment of goodwill	2,402	-
Impairment of investments	264	2,058
Allowance for inventory obsolescence	1,412	863
	<u>120,334</u>	<u>113,262</u>
Change in inventories	4,840	2,319
Change in gross amounts due for contract work	(134,475)	(26,007)
Change in trade and other receivables	10,154	(67,176)
Change in financial and lease receivables	7,142	40,665
Change in service concession arrangements intangibles	4,291	-
Change in trade and other payables	(53,448)	5,316
Cash (used in)/from operating activities	<u>(41,162)</u>	<u>68,379</u>
Income tax paid	<u>(8,305)</u>	<u>(7,773)</u>
<b>Net cash (used in)/from operating activities</b>	<u>(49,467)</u>	<u>60,606</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(28,111)	(8,594)
Acquisition of intangible assets	(12,858)	(29,669)
Acquisition of non-controlling interests	(20,491)	-
Investment in available-for-sale financial assets	(2,429)	-
Proceeds from sale of investment property	3,237	-
Proceeds from sale of property, plant and equipment	937	364
Proceeds from sale of other investments	-	853
Acquisition of a subsidiary by a joint venture/subsidiaries, net of cash acquired [Note 1(c)(i)]	(27,212)	(19,965)
Additional investment in associate	(23,691)	(27,626)
Dividends received from associates	10,179	1,260
Change in amounts due from related parties (non-trade)	1,955	(12,393)
Interest received	2,760	2,912
<b>Net cash used in investing activities</b>	<u>(95,724)</u>	<u>(92,858)</u>

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

	<u>Group</u>	
	2010	2009
	S\$'000	S\$'000
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options and warrants	102,360	5,996
Purchase of treasury shares	-	(1,292)
Proceeds from borrowings	383,447	425,698
Repayment of borrowings	(221,832)	(291,003)
Repayment of lease liabilities	(73)	(99)
Interest paid	(16,297)	(8,689)
Dividends paid	(34,222)	(18,020)
	<u>213,383</u>	<u>112,591</u>
<b>Net cash from financing activities</b>		
	68,192	80,339
<b>Net increase in cash and cash equivalents</b>		
	166,735	91,480
<b>Cash and cash equivalents at beginning of the year</b>		
Effect of exchange rate changes	(12,641)	(5,084)
	<u>222,286</u>	<u>166,735</u>
<b>Cash and cash equivalents at end of the year</b>		

**NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS**

1(c)(i) The values of assets and liabilities of a subsidiary acquired by a joint venture/subsidiaries were as follows:

	<u>Group</u>	
	2010	2009
	S\$'000	S\$'000
Current assets	26,693	6,452
Non-current assets	186,170	90,642
Current liabilities	(68,707)	(14,319)
Non-current liabilities	(18,168)	(35,114)
<b>Net identifiable assets and liabilities</b>	<u>125,988</u>	<u>47,661</u>
Non-controlling interests	-	(18,954)
Goodwill on acquisition	-	7,667
Amount previously accounted for as investment in associate	(74,701)	(15,102)
Cash consideration not yet paid	(8,493)	-
Cash consideration paid, satisfied in cash	42,794	21,272
Cash acquired	(15,582)	(1,307)
<b>Net cash outflow</b>	<u>27,212</u>	<u>19,965</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 arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**STATEMENT OF CHANGES IN EQUITY OF THE GROUP**

	Share capital	Reserve for own shares	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.1.2010</b>	105,114	(1,292)	8,627	4,543	(6,716)	16,780	238,188	365,244	28,158	393,402
<b>Total comprehensive income for the year</b>										
Profit for the year	-	-	-	-	-	-	88,510	88,510	375	88,885
<b>Other comprehensive income</b>										
Foreign currency translation differences for foreign operations	-	-	-	(19,180)	-	-	-	(19,180)	(1,130)	(20,310)
Share of net fair value gain on derivative financial instruments of associates	-	-	-	-	424	-	-	424	-	424
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2,301	-	-	2,301	-	2,301
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	431	-	-	431	-	431
Share of statutory reserve of associates	-	-	(102)	-	-	-	-	(102)	-	(102)
Total comprehensive (loss) / income for the year	-	-	(102)	(19,180)	3,156	-	88,510	72,384	(755)	71,629
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Dividends	-	-	-	-	-	-	(34,222)	(34,222)	-	(34,222)
Issue of shares for cash under Employees' Share Option Scheme	6,181	-	-	-	-	-	-	6,181	-	6,181
Issue of shares for cash under Warrant Subscription Agreements	96,179	-	-	-	-	-	-	96,179	-	96,179
Value of employee services received for issue of share options	-	-	-	-	-	1,829	-	1,829	-	1,829
Transfer to capital reserve	-	-	1,321	-	-	-	(1,321)	-	-	-
Acquisition of non-controlling interests	-	-	(5,094)	-	-	-	-	(5,094)	(15,397)	(20,491)
Total transactions with owners	102,360	-	(3,773)	-	-	1,829	(35,543)	64,873	(15,397)	49,476
<b>At 31.12.2010</b>	<b>207,474</b>	<b>(1,292)</b>	<b>4,752</b>	<b>(14,637)</b>	<b>(3,560)</b>	<b>18,609</b>	<b>291,155</b>	<b>502,501</b>	<b>12,006</b>	<b>514,507</b>

**STATEMENT OF CHANGES IN EQUITY OF THE GROUP (cont'd)**

	Share capital	Reserve for own shares	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.1.2009</b>	99,118	-	7,204	9,257	(13,496)	12,971	182,493	297,547	10,352	307,899
<b>Total comprehensive income for the year</b>										
Profit / (loss) for the year	-	-	-	-	-	-	75,036	75,036	(745)	74,291
<b>Other comprehensive income</b>										
Foreign currency translation differences for foreign operations	-	-	-	(4,714)	-	-	-	(4,714)	(403)	(5,117)
Share of net fair value gain on derivative financial instruments of associates	-	-	-	-	644	-	-	644	-	644
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	67	-	-	67	-	67
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	6,069	-	-	6,069	-	6,069
Share of statutory reserve of associates	-	-	102	-	-	-	-	102	-	102
Total comprehensive income / (loss) for the year	-	-	102	(4,714)	6,780	-	75,036	77,204	(1,148)	76,056
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Dividends	-	-	-	-	-	-	(18,020)	(18,020)	-	(18,020)
Issue of shares for cash under Employees' Share Option Scheme	3,863	-	-	-	-	-	-	3,863	-	3,863
Issue of shares for cash under Warrant Subscription Agreements	2,133	-	-	-	-	-	-	2,133	-	2,133
Purchase of treasury shares	-	(1,292)	-	-	-	-	-	(1,292)	-	(1,292)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	18,954	18,954
Value of employee services received for issue of share options	-	-	-	-	-	3,809	-	3,809	-	3,809
Transfer to capital reserve	-	-	1,321	-	-	-	(1,321)	-	-	-
Total transactions with owners	5,996	(1,292)	1,321	-	-	3,809	(19,341)	(9,507)	18,954	9,447
<b>At 31.12.2009</b>	<b>105,114</b>	<b>(1,292)</b>	<b>8,627</b>	<b>4,543</b>	<b>(6,716)</b>	<b>16,780</b>	<b>238,188</b>	<b>365,244</b>	<b>28,158</b>	<b>393,402</b>



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

	Share capital	Reserve for own shares	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.1.2010</b>	105,114	(1,292)	16,780	47,880	168,482
Profit for the year	-	-	-	20,407	20,407
Total comprehensive income for the year	-	-	-	20,407	20,407
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends	-	-	-	(34,222)	(34,222)
Issue of shares for cash under Employees' Share Option Scheme	6,181	-	-	-	6,181
Issue of shares for cash under Warrant Subscription Agreements	96,179	-	-	-	96,179
Value of employee services received for issue of share options	-	-	1,829	-	1,829
Total transactions with owners	102,360	-	1,829	(34,222)	69,967
<b>At 31.12.2010</b>	<b>207,474</b>	<b>(1,292)</b>	<b>18,609</b>	<b>34,065</b>	<b>258,856</b>
<b>At 1.1.2009</b>	99,118	-	12,971	62,116	174,205
Profit for the year	-	-	-	3,784	3,784
Total comprehensive income for the year	-	-	-	3,784	3,784
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends	-	-	-	(18,020)	(18,020)
Issue of shares for cash under Employees' Share Option Scheme	3,863	-	-	-	3,863
Issue of shares for cash under Warrant Subscription Agreements	2,133	-	-	-	2,133
Purchase of treasury shares	-	(1,292)	-	-	(1,292)
Value of employee services received for issue of share options	-	-	3,809	-	3,809
Total transactions with owners	5,996	(1,292)	3,809	(18,020)	(9,507)
<b>At 31.12.2009</b>	<b>105,114</b>	<b>(1,292)</b>	<b>16,780</b>	<b>47,880</b>	<b>168,482</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.**

**Changes in the Company's share capital**

The movements in the Company's issued and fully paid-up share capital during the financial year ended 31 Dec 2010 were as follows:

Issued share capital

	<b>No. of shares</b>	<b>Capital S\$'000</b>
At 1 Jan 2010	528,365,360	103,822
Issue of one bonus share for every two existing ordinary shares held	285,976,954	-
Issue of shares under the Employees' Share Option Scheme ("Scheme")	3,372,187	6,181
Issue of shares under Warrant Subscription Agreement and Supplemental Warrant Subscription Agreement ("Agreements")	40,216,863	96,179
At 31 Dec 2010	857,931,364	206,182

As at 31 Dec 2010, the number of ordinary shares in issue was 857,931,364 (31 Dec 2009: 528,365,360), excluding 500,000 (31 Dec 2009: 500,000) held by the Company as treasury shares.

Outstanding share options under the Scheme

	<b>No. of options</b>
At 1 Jan 2010	25,279,093
Bonus options	11,871,464
Options granted	4,200,000
Exercised/Forfeited	(5,710,187)
At 31 Dec 2010	35,640,370

Outstanding warrants under the Agreements

	<b>No. of warrants</b>
At 1 Jan 2010	40,216,863
Exercised	(40,216,863)
At 31 Dec 2010	-

**1(d)(iii)To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of shares held as treasury shares as at 31 Dec 2010 was 500,000 (31 Dec 2009: 500,000).

The total number of issued shares excluding treasury shares as at 31 Dec 2010 was 857,931,364 (31 Dec 2009: 528,365,360).

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

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial year ended 31 Dec 2010.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in paragraph 5 below, the Group and the Company have consistently applied the same accounting policies and methods of computation as in the most recently audited annual financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group and the Company adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2010. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS which are relevant to the Group and the Company:

FRS 27 (Amended)	<i>Consolidated and Separate Financial Statements</i>
FRS 103 (Revised)	<i>Business Combinations</i>
Amendments to FRS 39	<i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
INT FRS 117	<i>Distributions of Non-cash Assets to Owners</i>
Improvements to FRSs 2009	

The adoption of the above FRS, except for the application of FRS 103 *Business Combinations (2009)* and FRS 27 *Consolidated and Separate Financial Statements (2009)*, did not result in any substantial change to the Group's and the Company's accounting policies or any significant impact on the financial statements.

In a business combination achieved in stages, the Group remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

The Group has applied FRS 27 *Consolidated and Separate Financial Statements (2009)* to account for disposal of interest in subsidiary that resulted in loss of control. Any surplus or deficit arising on the loss of control is recognised in profit or loss. Any interest retained in the previous subsidiary, will be measured at fair value at the date that control is lost. Subsequently, it is accounted for as on joint venture or as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The change in accounting policy has been applied prospectively to new business combinations or any loss in control of subsidiaries occurring on or after 1 January 2010.

**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**

	2010	2009 Restated	Change %
Earnings per ordinary share of the Group based on net profit attributable to equity holders:-			
Based on the weighted average number of ordinary shares in issue	10.52 cts	9.51 cts	10.6
- Weighted average number of shares	841,682,245	789,258,790	6.6
On a fully diluted basis of ordinary shares	10.23 cts	9.34 cts	9.5
- Adjusted weighted average number of shares	<u>865,351,209</u>	<u>803,212,406</u>	7.7

For comparative purposes, the number of ordinary shares as at 31 December 2009 has been adjusted to include issue of one bonus share for every two existing ordinary shares.

**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 financial period reported on and (b) immediately preceding financial year.**

**Net assets value per ordinary share:**

	<u>Group</u>		<u>Company</u>	
	31 Dec 10 Cents	31 Dec 09 Cents Restated	31 Dec 10 Cents	31 Dec 09 Cents Restated
Based on 857,931,364 (31 Dec 2009: 792,548,040) ordinary shares in issue	<u>58.6</u>	<u>46.1</u>	<u>30.2</u>	<u>21.3</u>

For comparative purposes, the number of ordinary shares as at 31 December 2009 has been adjusted to include issue of one bonus share for every two existing ordinary shares held.

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

**8(a) Income Statement Analysis**

The Group achieved record revenue of \$569.7 million and record profit attributable to shareholders of the Group of \$88.5 million for the financial year ended 31 Dec 2010, increased by 18% from \$75.0 million for the financial year ended 31 Dec 2009.

**8(a)(i) Revenue**

The Group's revenue for the financial year ended 31 Dec 2010 increased by 9% to \$569.7 million as compared to \$524.8 million for the financial year ended 31 Dec 2009.

### Sector Review

Revenue from the municipal sector increased by 9% from \$469.8 million to \$511.2 million and contributed 90% to the Group's revenue for the financial year ended 31 Dec 2010. Revenue from China and Middle East and North Africa's ("MENA") municipal sector was \$99.7 million and \$340.5 million respectively for the financial year ended 31 Dec 2010.

Revenue from industrial sector increased by 1% from \$54.4 million for the financial year ended 31 Dec 2009 to \$55.1 million for the financial year ended 31 Dec 2010.

### Geographical review

China accounted for 26% of total revenue, while MENA contributed approximately 60% of total revenue for the financial year ended 31 Dec 2010.

### **8(a)(ii) Costs and expenses**

Raw materials and consumables used and subcontractors' costs decreased by 2% from \$309.4 million for the financial year ended 31 Dec 2009 to \$303.0 million for financial year ended 31 Dec 2010 due to cost management measures.

Personnel expenses increased 10% from \$59.4 million for the financial year ended 31 Dec 2009 to \$65.4 million for the financial year ended 31 Dec 2010 which was in line with the Group's expansion plan.

Finance costs increased from \$9.3 million for the financial year ended 31 Dec 2009 to \$16.8 million for the financial year ended 31 Dec 2010 which was in line with higher bank borrowings during the financial year.

Depreciation, amortisation and impairment increased from \$16.5 million for the financial year ended 31 Dec 2009 to \$17.1 million for the financial year ended 31 Dec 2010 which was in line with increase in property, plant and equipment and intangible assets.

Other expenses increased from \$57.9 million for the financial year ended 31 Dec 2009 to \$78.4 million for the financial year ended 31 Dec 2010 due to higher professional fees, costs on research and development and foreign exchange differences.

The effective tax rate for the financial year ended 31 Dec 2010 was about 11.5% and remained at a level lower than the Singapore corporate tax rate mainly due to the tax exemptions and incentives enjoyed by certain entities in the Group.

### **8(a)(iii) Earnings**

Basic and fully diluted earnings per share for the financial year ended 31 Dec 2010 increased by 10.6% and 9.5% respectively to 10.52 cents and 10.23 cents respectively compared to the financial year ended 31 Dec 2009.

### **8(b) Statements of Financial Position Analysis**

#### **8(b)(i) The Group**

The Group's shareholders' equity increased to \$502.5 million as at 31 Dec 2010 from \$365.2 million as at 31 Dec 2009. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Scheme" and "Agreements" for the financial year ended 31 Dec 2010. Net profit in the financial year ended 31 Dec 2010 further boosted the Group's equity base.

Current assets increased to \$693.7 million as at 31 Dec 2010 from \$549.1 million as at 31 Dec 2009, which was mainly due to increases in amount due for contract work and cash and fixed deposits.

Non-current assets increased to \$666.0 million as at 31 Dec 2010 from \$523.4 million as at 31 Dec 2009, which was mainly due to increases in property, plant and equipment and financial and lease receivables by \$20.9 million and \$70.2 million respectively. The increase was offset by the lower trade and other receivables for trade amount due from associates as well as investment in associates.

Current liabilities decreased slightly to \$315.9 million as at 31 Dec 2010 from \$317.9 million as at 31 Dec 2009, which was mainly due to lower trade-related payables during the financial year.

Non-current liabilities increased to \$529.2 million as at 31 Dec 2010 from \$361.3 million as at 31 Dec 2009, resulting mainly from the increase in bank borrowings during the financial year to support the Group's expansion and investment activities. Included in the financial liabilities as at 31 Dec 2010 was \$222.8 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature in 2012 and 2015.

The Group's net gearing ratio stood at 0.73 times as at 31 Dec 2010.

### **8(b)(ii) The Company**

Shareholders' equity for the Company increased to \$258.9 million as at 31 Dec 2010 from \$168.5 million as at 31 Dec 2009. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Scheme" and "Agreements" for the financial year ended 31 Dec 2010.

### **8(c) Statement of Cash flows**

The Group's cash position increased to \$222.3 million as at 31 Dec 2010 from \$166.7 million as at 31 Dec 2009.

For the financial year ended 31 Dec 2010, net cash of \$49.5 million was used in the Group's operating activities, mainly towards working capital requirements. Cash used in investing activities for the financial year was largely for capital expenditure of property, plant and equipment and intangible assets to support the Group's expansion including investments in joint ventures and associates. Cash generated from financing activities for the financial year ended 31 Dec 2010 was mainly from borrowing proceeds to fund the Group's investment and from the issue of shares under the "Scheme" and "Agreements".

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

Not applicable.

### **10. A commentary at the date of the announcement of the 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**

Moving forward, the fundamentals and outlook of the global water industry remain robust. The municipal sector will continue to be the main driver of the Group's Revenue. With the Group's key markets in China, South East Asia and the MENA region facing critical water scarcity issues, the development of water infrastructure projects is expected to accelerate.

The Group announced on 11 January 2011 that its subsidiaries have signed three concession agreements with the People's Government of Chongqing City, Hechuan District to develop three water projects, to be completed by end-2012. The three plants, comprising of two wastewater treatment plants and a portable water treatment plant, are:

- Hexin District Wastewater Treatment Plant which will be designed to treat 20,000m<sup>3</sup> perday of wastewater for the industrial park;
- Weituo Wastewater Treatment Plant with a treatment capacity of 20,000m<sup>3</sup> perday also for the industrial park; and

- Weituo Water Treatment Plant which will tap water from upstream Jialing River to produce up to 50,000m<sup>3</sup> of potable water per day for industrial and domestic use.

In addition, on 21 February 2011, the Group has been awarded another concession by the People's Government of Zunyi City pursuant to an open bid to develop a wastewater treatment plant to treat up to 150,000m<sup>3</sup> of domestic wastewater per day for Zunyi City in north Guizhou province, China.

However, risks remain that could impact the Group's growth even though risk appetite has recovered significantly from the lows in 2008. Recent China's tightening measures and the debt crisis in the Eurozone will continue to rein in optimism and risk appetite. In addition, fluctuations in the foreign exchange rates and commodities prices will impact on the Group's financial performance, as well as recent changes in political climate in MENA. Projects in Libya are likely to be delayed in view of current developments.

The Group's O&M order book stood at S\$1.0 billion post divestiture of completed plants to Galaxy Newspring Pte Ltd while the EPC order book stood at S\$0.6 billion as at February 2011.

## 11. Dividend

### **(a) Current financial period reported on**

Any dividend recommended for the current financial period reported on?

Name of dividend	Final
Dividend type	Cash
Dividend rate	3.50 cents per ordinary share
Tax rate	One tier tax exempt

### **(b) Corresponding period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of dividend	First and final
Dividend type	Cash
Dividend rate	5.00 cents per ordinary share*
Tax rate	One tier tax exempt

\* Equivalent of 3.33 cents after adjustment to include one bonus share for every two existing ordinary share.

### **(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.

### 13. Operating segments

Information about reportable segments

	Municipal		Industrial		All other segments		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
External revenue	511,180	469,832	55,144	54,394	3,413	588	569,737	524,814
Interest revenue	–	1,854	1,203	–	175	–	1,378	1,854
Interest expense	(3,783)	–	(16)	(359)	115	–	(3,684)	(359)
Depreciation, amortisation and impairment	(3,378)	(4,342)	(4,708)	(3,288)	(2,496)	(3,713)	(10,582)	(11,343)
Reportable segment profit/(loss) before income tax	132,687	103,753	(11,355)	(7,431)	(3,178)	(4,685)	118,154	91,637
Share of profit/(loss) of associates, net of income tax	1,774	3,262	(1,103)	(236)	1,288	(392)	1,959	2,634
Reportable segment assets	900,623	595,778	249,208	241,998	14,015	14,903	1,163,846	852,679
Investments in associates	66,549	93,645	8,483	4,911	–	4,098	75,032	102,654
Capital expenditure	125,171	3,635	2,673	74,548	318	12,970	128,162	91,153
Reportable segment liabilities	261,439	280,163	23,778	37,105	63,771	8,379	348,988	325,647



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

	2010 \$'000	2009 \$'000
<b>Revenues</b>		
Total revenue for reportable segments	566,324	524,226
Other revenue	3,413	588
Consolidated revenue	<u>569,737</u>	<u>524,814</u>
<b>Profit or loss</b>		
Total profit for reportable segments	121,332	96,322
Other loss	(3,178)	(4,685)
	<u>118,154</u>	<u>91,637</u>
Unallocated amounts:		
- Other corporate expenses	(19,640)	(11,299)
Share of profit of associates, net of income tax	1,959	2,634
Consolidated profit before income tax	<u>100,473</u>	<u>82,972</u>
<b>Assets</b>		
Total assets for reportable segments	1,149,831	837,776
Other assets	14,015	14,903
Investments in associates	75,032	102,654
Other unallocated amounts	120,824	117,230
Consolidated total assets	<u>1,359,702</u>	<u>1,072,563</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	285,217	317,268
Other liabilities	63,771	8,379
Other unallocated amounts	496,207	353,514
Consolidated total liabilities	<u>845,195</u>	<u>679,161</u>

**Other material items in 2010**

	Reportable segment totals \$'000	Adjustments \$'000	Consolidated totals \$'000
Interest revenue	1,203	1,922	3,125
Interest expense	(3,799)	(12,961)	(16,760)
Capital expenditure	127,844	21,408	149,252
Depreciation, amortisation and impairment	(8,086)	(9,059)	(17,145)
	<u>          </u>	<u>          </u>	<u>          </u>

## Other material items in 2009

	Reportable segment totals	Adjustments	Consolidated totals
	\$'000	\$'000	\$'000
Interest revenue	1,854	1,404	3,258
Interest expense	(359)	(8,900)	(9,259)
Capital expenditure	78,183	24,954	103,137
Depreciation, amortisation and impairment	(7,630)	(8,891)	(16,521)

## Geographical information

### 31 December 2010

	Revenues \$'000	Non-current assets \$'000
Middle East and North Africa	343,810	60,247
People's Republic of China	150,797	488,263
Singapore	75,130	117,498
	<u>569,737</u>	<u>666,008</u>

### 31 December 2009

	Revenues \$'000	Non-current assets \$'000
Middle East and North Africa	330,523	62,404
People's Republic of China	181,327	382,308
Singapore	12,964	78,718
	<u>524,814</u>	<u>523,430</u>

## 14. Breakdown of sales

	2010 S\$'000	2009 S\$'000	% increase/ (decrease)
Sales reported for the first half year	241,739	222,667	9
Profit after tax before non-controlling interests reported for the first half year	<u>33,830</u>	<u>31,577</u>	7
Sales reported for the second half year	327,998	302,147	9
Profit after tax before non-controlling interests reported for the second half year	<u>55,055</u>	<u>42,714</u>	29

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

	<b>Latest Full Year (2010) S\$'000</b>	<b>Previous Full Year (2009) S\$'000</b>
Ordinary	34,222	18,020
Preference	-	-
Total	<u>34,222</u>	<u>18,020</u>

**BY ORDER OF THE BOARD**

Lim Poh Fong  
Company Secretary  
23 February 2011