HYFLUX LTD
Company Registration No: 200002722Z

RESPONSE TO SGX QUERY IN RELATION TO THE ANNUAL REPORT 2017

The Board of Directors (the "**Board**") of Hyflux Ltd (the "**Company**") refers to the following query raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 30 April 2018 in relation to the Annual Report 2017 of the Company and its subsidiaries (the "**Group**").

Query:

Guideline 2.4 of the Code of Corporate Governance 2012 (the "**Code**") states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

Mr Teo Kiang Kok, Mr Lee Joo Hai, Mr Gay Chee Cheong and Mr Christopher Murugasu have served as Independent Directors of the Company for more than nine years. Please comply with Guideline 2.4 of the Code or otherwise explain the reason(s) for the deviation from the Code.

Company's response:

Mr Teo Kiang Kok, Mr Lee Joo Hai, Mr Gay Chee Cheong and Mr Christopher Murugasu (the "**IDs**") have each served as Directors of the Company for more than nine years. The Nominating Committee (the "**NC**") and the Board have subjected their independence to a particularly rigorous review.

In determining the independence of a Director, the NC and Board considered the following:

(1) Whether the ID provides objective and constructive views to the Board and Management;

(2) The ability of the ID to speak up and offer constructive viewpoints and practical solutions to issues and work towards increasing value of the Group for the benefit of all shareholders;

(3) The ID's evaluation and assessment of information provided to the Board in an independent and constructive manner and render such advice as may be necessary to assist management to implement plans or policies adopted by the Group; and

(4) Guideline 2.3 and other relevant Guidelines of the Code.

The Board notes that each of the IDs satisfies the above criteria. They have exercised independent and objective judgement based on the interest of the Company and its shareholders as a whole. They have constructively challenged the Management on business decisions and have not hesitated to express their viewpoints or seek clarification from management on issues. They have remained objective and independent in the discharge of their duties and responsibility. Each of the IDs satisfies Guideline 2.3 of the Code which states that the Board may consider a Director independent if he has no relationship with the Company, its related corporation, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgement. The Board also notes that none of the IDs has or had any interested party transactions with the Group or the substantial shareholder that might affect their independence.

On the bases of the foregoing, the NC and the Board are fully satisfied that the IDs are independent.

By Order of the Board

Lim Poh Fong
Company Secretary
2 May 2018