# Sustainable Solutions For A Better Tomorrow

ANNUAL REPORT 2014

Hyflux®

## Our Vision

To be the leading company the world seeks for innovative and effective environmental solutions.

## Our Mission

To provide efficient and cost-effective solutions to meet our clients' needs through innovation and technological advancement.

## Table of Contents

# Sustainable Solutions For A Better Tomorrow

Hyflux is a fully-integrated water and power solutions company. We offer cost-effective and sustainable solutions in the areas of membrane-based seawater desalination, water recycling, wastewater treatment including membrane bioreactor technology, and potable water treatment by leveraging on our proprietary membrane technologies and products as well as expertise in designing, engineering, operating and maintaining industrial and municipal water treatment plants of various sizes and functions.

Our projects deliver water that is clean, safe and affordable to communities and industries worldwide. In doing so, we can have a positive social and economic impact in the regions where we operate. We believe and invest in technological innovation and people development as we seek ways to provide reliable long-term solutions to the challenges of water scarcity and water pollution.

For Hyflux, our business is about making clean water accessible and affordable, and we want to play an integral role in helping municipalities and industries achieve water security.

# Group Financial Highlights

## Key Financial Data

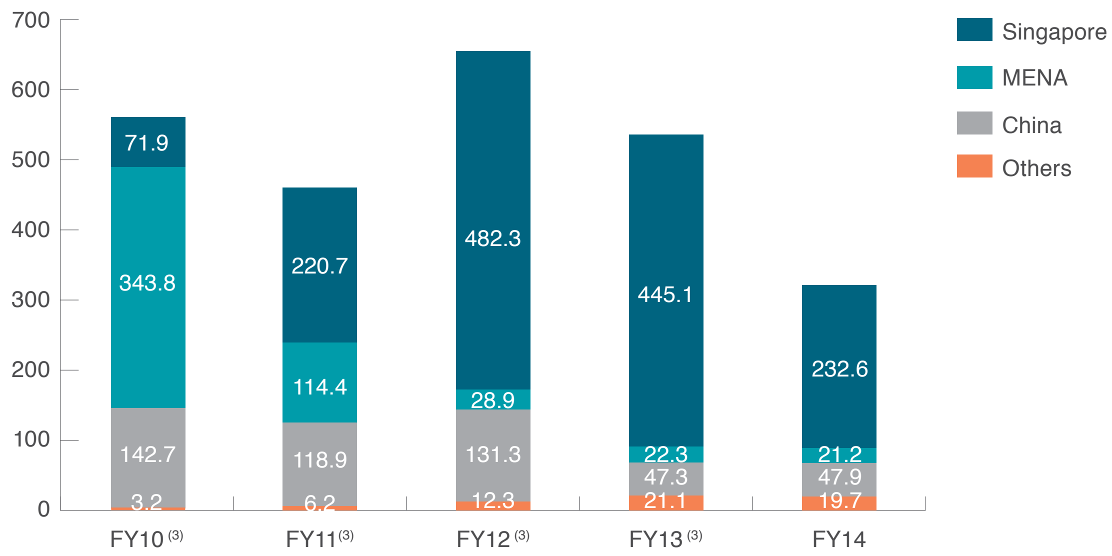
For year ended 31 December

| (S$'000) | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Revenue | 561,580 | 460,188 | 654,766 | 535,790 | **321,394** |
| Profit before tax | 100,413 | 61,704 | 76,168 | 51,623 | **53,060** |
| Profit after tax | 88,885 | 55,725 | 64,713 | 42,896 | **58,813** |
| Profit attributable to shareholders | 88,510 | 53,027 | 60,994 | 44,026 | **57,469** |
| Shareholders' equity | 502,501 | 920,591 | 860,593 | 882,574 | **1,337,181** |
| Total assets | 1,228,102 | 1,887,210 | 2,189,704 | 2,396,505 | **2,741,715** |
| Net assets | 514,507 | 935,567 | 877,029 | 886,292 | **1,341,988** |
| Net asset value per share (cents) (1) | 58.60 | 60.60 | 55.81 | 58.35 | **56.57** |
| Earnings per share (cents) (2) | 10.52 | 4.30 | 4.43 | 2.42 | **1.66** |
| Dividend per share (cents) | 4.17 | 2.77 | 3.20 | 2.30 | **2.30** |
| Return on revenue (%) | 15.8 | 11.5 | 9.3 | 8.2 | **17.9** |
| Return on equity (%) (2) | 17.6 | 7.1 | 8.0 | 4.1 | **3.0** |

(1) FY2011 to FY2014 net asset values excluded non-controlling interests and were adjusted for the effect of 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares (CPS) of S$400 million. FY2014 net asset value was also adjusted for the effect of perpetual capital securities of S$475 million.
(2) FY2011 to FY2014 were adjusted for the effect of CPS. FY2014 was also adjusted for the effect of perpetual capital securities.

## Group Revenue by Country / Region

(S$ million)

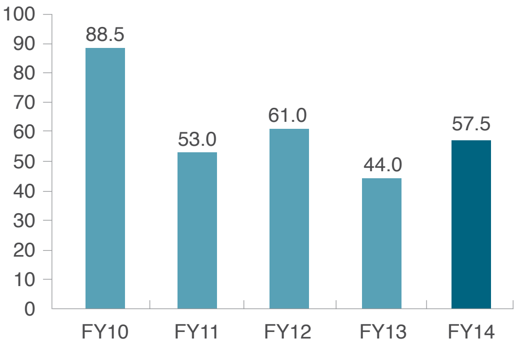



(3) Asia ex-China region was re-presented as "Singapore" and "Others".

# S$57.5m

**Profit Attributable To Shareholders**

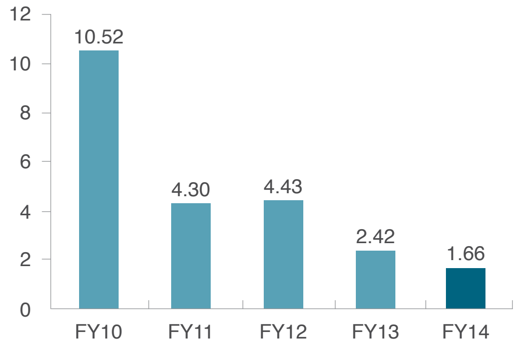
(S$ million)




# 1.66 cents

**Earnings Per Share** [(2)]

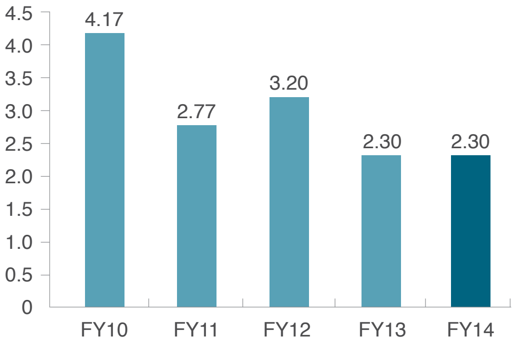
(Singapore cents)




# 2.3 cents

**Dividend Per Share**

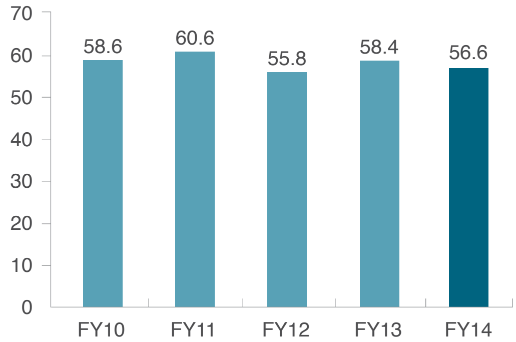
(Singapore cents)




# 56.6 cents

**Net Asset Value Per Share** [(1)]

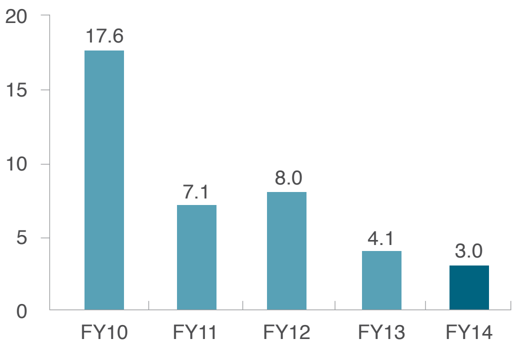
(Singapore cents)




# 3.0%

**Return on Equity** [(2)]

(%)




(1) FY2011 to FY2014 net asset values excluded non-controlling interests and were adjusted for the effect of CPS. FY2014 net asset value was also adjusted for the effect of perpetual capital securities.

(2) FY2011 to FY2014 were adjusted for the effect of CPS. FY2014 was also adjusted for the effect of perpetual capital securities.

# Message from Executive Chairman & Group Chief Executive Officer

**Olivia Lum**
Executive Chairman & Group Chief Executive Officer

## 2014 was a year of strategic progress for Hyflux amid the climate of global economic and political uncertainties.

Dear Stakeholders,

2014 was a year of strategic progress for Hyflux amid the climate of global economic and political uncertainties. We successfully completed the construction of the 411 MW combined cycle gas turbine power plant co-located with Tuaspring Desalination Plant in Singapore. This development marked our expansion into a new business that will complement and enhance our competitiveness in our core water business.

The global water industry started to show signs of recovery after a long bout of weakness in the wake of the global financial crisis and political upheavals in the Middle East and North Africa region. But the momentum of municipal project tenders did not start to pick up until the second half of 2014.

We have displayed resilience and performed commendably. Our Group revenue for the year ended 31 December 2014 was S$321.4 million while profit after tax and minority interests was S$57.5 million. The lower revenue was due to a time lag between the completion of Tuaspring Desalination Plant and the commencement of engineering, procurement and construction (EPC) works for the seawater reverse osmosis desalination plant in Dahej in the state of Gujarat, India. A higher level of divestment activities contributed to higher profits in FY2014.

The pace of progress towards achieving financial close for the 336,000 $m^3$/day desalination project for the Dahej Special Economic Zone (SEZ) has been slower than anticipated despite a water purchase agreement signed with Dahej SEZ Limited in January 2013. We continue to actively work with our consortium partner, Hitachi Ltd, and the relevant authorities to move the project forward.

We strengthened our balance sheet during the year. As part of our asset light strategy, we sold and leased back Hyflux Innovation Centre as well as divested our interests in Hyflux Marmon Development Pte Ltd and Marmon Hyflux Investments Pte Ltd. We also successfully raised S$475.0 million through two perpetual capital securities issues in January and July 2014. The proceeds will enable us to finance infrastructure and water projects, acquire new technology, invest in R&D, and expand our membrane manufacturing automation and capacity.

Our total order book currently stands at more than S$2.9 billion with operations and maintenance (O&M) contributing S$2.0 billion.

# Message from Executive Chairman & Group Chief Executive Officer

**The integration of a desalination facility with a power plant is a first in Asia and for Hyflux. When the power plant comes online, it will open up opportunities for us in the independent water and power project sector.**

In December 2014, we won an international tender by Oman Power and Water Procurement Company SAOC (OPWP) to design, build, own and operate an independent water project (IWP) in Qurayyat, Sultanate of Oman. The project is worth an estimated US$250.0 million and will add another 200,000 $m^3$/day of desalinated water to Oman's drinking water supply. I am pleased to announce that we have signed the water purchase agreement in March 2015. Construction is expected to start soon. The project is scheduled to commence commercial operation by May 2017 and deliver water to OPWP for a period of 20 years.

Magtaa Desalination Plant was officially opened by Algeria's Prime Minister, Mr Abdelmalek Sellal, in November 2014. We were also greatly honoured to have Singapore's Minister for the Environment and Water Resources, Dr Vivian Balakrishnan, attend the event.

Official opening ceremony of Magtaa Desalination Plant, Algeria

Magtaa Desalination Plant has a designed capacity of 500,000 $m^3$/day and is the largest seawater reverse osmosis desalination plant on the African continent. It will provide a sustainable and reliable supply of water to Oran, Algeria's second largest city, and the neighbouring provinces under a 25-year water purchase agreement with L' Algérienne Des Eaux and Sonatrach. The plant will also contribute to our recurring income base over the next 25 years.

In Singapore, we look forward to commissioning Tuaspring Power Plant after it is connected to the national power grid in the second half of 2015 following a prolonged grid connection delay.

Tuaspring Power Plant, Singapore

The integration of a desalination facility with a power plant is a first in Asia and for Hyflux. When the power plant comes online, it will open up opportunities for us in the independent water and power project sector.

By 2016, we expect to see substantially stronger recurring income from our current portfolio of water projects, asset returns, membrane sales and other services.

Our Board of Directors has proposed a final dividend of 1.60 Singapore cents per ordinary share. Together with an interim dividend of 0.70 Singapore cents per ordinary share paid in September 2014, the total dividend for the full year will amount to 2.30 Singapore cents per ordinary share.

## RECOVERY OF WATER INFRASTRUCTURE PROJECT MARKET

We are cautiously optimistic about the recovery of the water industry in 2015 amidst a weaker oil price environment. There are signs pointing to a rebound in the global market for large-scale water infrastructure projects, and we have been actively bidding for projects in selective markets in the Middle East, Africa, Asia and the Americas.

While the first half of the current financial year is likely to be slow, we expect a pick-up in the second half. We will also be exploring some asset divestment opportunities during the year. The journey may be challenging, but we believe challenges will also bring opportunities to those who are nimble and flexible. Our focus on areas where we can add value, prudence and discipline in our investments as well as efficient cost structure, will put us in good stead in the competitive global landscape.

The fundamental need for water will not change. Growing populations and industries will continue to drive the demand for water. In regions facing water stress, demand is outstripping supply from available infrastructure. Countries are increasingly recognising that they have to plan and develop alternative sources of water through desalination and water recycling. In fact, the desalination market is expected to grow by 61% to be worth US$21.0 billion a year by 2019. With countries looking to the private sector to fund public sector water investments, we can expect more Build-Operate-Transfer (BOT) and Public-Private-Partnership (PPP) opportunities to come.

# Message from Executive Chairman & Group Chief Executive Officer

**To support sustainable growth, we believe that an integrated approach to urban development and resource management is required. Urbanisation presents an opportunity for Hyflux to help future cities to draw on the synergies between water, energy and waste.**

## SUSTAINABLE SOLUTIONS FOR A BETTER TOMORROW

In a world where the economy, environment and society are interconnected, Hyflux as one of the leading companies in water and environmental solutions, has a key role to play in the development of sustainable cities.

Over half of the world's population currently lives in cities. By 2050, the proportion of city dwellers in the world will reach nearly three-quarters, with much of this increase concentrated in Asia and Africa. The number of cities with populations of over a million people will also increase, and so too, will megacities with more than 10 million people. Rapid urbanisation will exert pressure on vital services such as drinking water, sanitation, and electricity. To support sustainable growth, we believe that an integrated approach to urban development and resource management is required. Urbanisation presents an opportunity for Hyflux to help future cities to draw on the synergies between water, energy and waste.

We are also looking to the future and anticipating the needs of municipal and industrial customers as well as the types of products and solutions we can offer. An example of this is our Floating Desalination Production Vessel, which was launched during the Singapore International Water Week 2014. The vessel was conceived to provide a quick, flexible and reliable water supply and is most suited for emergency situations or humanitarian purposes, as well as for highly populated and industrialised areas with land limitations or space availability issues.

We will continue to invest in innovation as well as the acquisition of membrane and materials technology to drive resource efficiency and resource recovery.

Every stage of the water value chain offers opportunities for us to create value. We will strengthen our competitiveness and core capabilities as well as leverage our partnerships and financial platform to stay ahead of the competition.


Hyflux 25th Anniversary Retreat

## DEVELOPING OUR PEOPLE

In 2014, Hyflux celebrated our 25th anniversary. Since the founding of the company in 1989, we have evolved from a small start-up, trading in water treatment equipment in Southeast Asia, into a leading supplier of large-scale membrane-based desalination plants worldwide. The success of our company would not have been possible without passionate, determined employees motivated by the knowledge that they play a crucial role in producing clean, safe, affordable and accessible water.

As we look to the future, we will continue to attract, nurture and retain the best talents to take our Group to the next level of growth. We have been expanding our in-house capabilities in anticipation of the global trends and in support of our strategic growth areas, including market development, and power generation and management.

## THANK YOU

We welcome to the Board Mr Lau Wing Tat who was appointed Non-Executive and Independent Director on 1 July 2014. He also heads the Risk Management Committee and brings to the Board a wealth of experience in risk management and governance.

On behalf of the Board, I would like to thank our shareholders, partners, customers and suppliers for their support.

I would also like to thank our employees for their commitment, dedication and hard work. Throughout the past 25 years, we have remained steadfast and agile, responded to challenges with creativity and innovation, embraced change and braved new lands together. This is the spirit of innovation and enterprise that Hyflux was founded on, and these very same qualities will carry us through the next phase of our journey.

**OLIVIA LUM**
Executive Chairman &
Group Chief Executive Officer

# Board of Directors

## Olivia Lum

Executive Chairman & Group Chief Executive Officer

*Date of first appointment as director: 31 March 2000*

Ms Lum is the Executive Chairman and Group Chief Executive Officer. She heads the Board's Investment Committee and is a member of the Nominating Committee.

Ms Lum started corporate life as a chemist with Glaxo Pharmaceutical and left in 1989 to start up Hydrochem (S) Pte Ltd, the precursor to Hyflux Ltd. Managing the Group for more than 25 years now, Ms Lum is the driving force behind Hyflux's growth and business expansion, and is responsible for policy and strategy formulation as well as corporate direction.

A former Nominated Member of the Singapore Parliament, Ms Lum is currently a member of the Singapore-Tianjin Economic & Trade Council, Singapore-Jiangsu Cooperation Council, Singapore-Zhejiang Economic & Trade Council, Singapore-Oman Business Council and Singapore Business Federation Council. She also sits on the boards of International Enterprise Singapore, Singapore Technologies Engineering Ltd and Singapore Mediation Centre.

Ms Lum has received many accolades for her entrepreneurial achievements including the Nikkei Asia Prize for Regional Growth 2006, the Ernst & Young World Entrepreneur Of The Year 2011 and the Financial Times ArcelorMittal Boldness in Business Award 2011 for Entrepreneurship.

Ms Lum holds an Honours degree in Chemistry from the National University of Singapore.

## Teo Kiang Kok

Lead Independent Director

*Date of first appointment as director: 19 December 2000*
*Date of last re-appointment as director: 24 April 2014*

Mr Teo is the Lead Independent Director and chairs all Board meetings. He heads the Board's Nominating Committee and is a member of the Audit, Remuneration and Risk Management Committees.

Mr Teo is a senior lawyer with more than 30 years of experience in legal practice. He was a partner of Shook Lin & Bok LLP (SLB) from 1988 to 2011 and was the head of its Corporate Finance and China practices.

In the course of his legal practice, Mr Teo has advised on securities offerings, mergers and acquisitions, joint ventures, strategic investments as well as corporate law and regulatory compliance and in particular, the listing and compliance requirements for companies listed on the Singapore Exchange. His regional practice included foreign investment work in and out of Singapore, the People's Republic of China, India and the ASEAN countries. He retired as a senior partner of SLB in May 2011 and is currently the senior consultant to SLB.

Mr Teo also serves on the boards of Jadason Enterprises Ltd, Memtech International Ltd and Wilton Resources Holdings Ltd.

Mr Teo obtained his Bachelor of Laws (Honours) degree from the University of Hull and is a Barrister-at-Law from Lincoln's Inn.

## Lee Joo Hai

Non-Executive Independent Director

*Date of first appointment as director: 19 December 2000*
*Date of last re-appointment as director: 25 April 2013*

Mr Lee is a Non-Executive Independent Director. He heads the Board's Audit Committee and is a member of the Risk Management Committee.

Mr Lee is a member of the Institute Of Singapore Chartered Accountants, CPA Australia, Association Of Chartered Certified Accountants (UK), Institute of Directors of both Singapore and Hong Kong. He has more than 30 years of experience in accounting and auditing.

Mr Lee currently is a director of Kian Ho Bearings Ltd, Agria Corporation, IPC Limited, Lung Kee Metal Holdings Ltd and Armada Holdings Ltd.

## Gay Chee Cheong

Non-Executive Independent Director

*Date of first appointment as director: 3 August 2001*
*Date of last re-appointment as director: 25 April 2013*

Mr Gay is a Non-Executive Independent Director. He heads the Board's Remuneration Committee and is a member of the Nominating, Audit and Investment Committees.

He sits on the Board of Governors of Temasek Polytechnic; Entrepreneurship Committee at the National University of Singapore; Board of Trustees of the United World College of South East Asia Foundation; Board of Heliconia Capital Management Pte Ltd; and Board of CapitaMall Trust Management Limited.

Mr Gay graduated from the Royal Military Academy (RMA), Sandhurst and Royal Military College of Science, Shrivenham, United Kingdom. He holds Honours degrees in Electronics Engineering from the Royal Military College of Science, Shrivenham and in Economics from the University of London, United Kingdom. He also has a Master of Business Administration from the National University of Singapore.

# Board of Directors

## Christopher Murugasu

Non-Executive Independent Director

*Date of first appointment as director: 1 February 2005*
*Date of last re-appointment as director: 24 April 2014*

Mr Murugasu is a Non-Executive Independent Director and also a member of the Board's Nominating, Remuneration and Risk Management Committees.

Previously Senior Vice President for Corporate Services at Hyflux Ltd, Mr Murugasu was responsible for the Group's human resources, procurement and general administration functions. Prior to joining Hyflux, he had accumulated over 15 years of experience in the public sector as well as with a foreign bank.

Mr Murugasu holds an Honours degree in Computing Science from Imperial College, United Kingdom, and a Master's degree from the London School of Economics, United Kingdom.

## Simon Tay

Non-Executive Independent Director

*Date of first appointment as director: 3 May 2011*
*Date of last re-appointment as director: 26 April 2012*

Mr Tay is a Non-Executive Independent Director and also a member of the Board's Risk Management and Investment Committees.

Mr Tay is Chairman of the Singapore Institute of International Affairs, the country's oldest think tank and founding member of the ASEAN network of think tanks. He is concurrently Associate Professor, teaching international law at the National University of Singapore.

Mr Tay is also a Senior Consultant at WongPartnership, a leading Asian law firm. He sits on the boards of Toyota Corporation, Mitsubishi United Financial Group, the Liechtenstein Bank and Far East Organization.

From 1992 to 2008, he served in public positions for Singapore, including Chairman of the National Environment Agency, Nominated Member of Parliament, and coordinated the Singapore Volunteers Overseas. He continues to serve Singapore in a number of roles including as an Expert and Eminent Person in the ASEAN Regional Forum, a member of the government's Climate Change Network and as vice-chairman of the Asia Pacific Water Forum.

Mr Tay graduated in law from the National University of Singapore (1986) and from Harvard Law School (1993).

## Gary Kee

Executive Director

*Date of first appointment as director: 3 May 2011*
*Date of last re-appointment as director: 26 April 2012*

Mr Kee is an Executive Director and a member of the Board's Investment Committee. Mr Kee assumed the role of Executive Director in May 2013 and oversees the information technology, internal audit and corporate marketing departments at Hyflux.

Mr Kee was the Chief Executive Officer of the Trustee-Manager and Non-Independent Executive Director of Hyflux Water Trust Management Pte Ltd. Prior to that, he held numerous senior regional management positions in Finance, Operations and Strategic Business Development in his 23-year tenure at Hewlett Packard. He last served as Director, Head of Strategy and Corporate Development for Asia Pacific & Japan.

Before joining Hewlett Packard, Mr Kee was a Management Consultant with Arthur Andersen Associates (now known as Accenture). Mr Kee also served as a Board Director of various companies and JTC Corporation.

Mr Kee holds a Bachelor of Commerce from McMaster University in Canada and a Masters of Business Administration from the University of Texas at Arlington in the USA.

## Lau Wing Tat

Non-Executive Independent Director

*Date of first appointment as director: 1 July 2014*

Mr Lau is a Non-Executive Independent Director. He heads the Board's Risk Management Committee and is a member of the Audit Committee.

Mr Lau joined the Government of Singapore Investment Corporation in 1983. During his 20-year tenure with GIC, he handled investments in equities and held roles in various departments. He last served as a member of the senior management team of the Equities Department where he was actively involved in developing and implementing its investment and risk management processes and advising on its trading operations.

From 2005 to 2007, Mr Lau was the Chief Investment Officer and later CEO of DBS Asset Management, a wholly-owned subsidiary of the DBS Group. Thereafter, he took on several directorships and advisory roles. He is currently a director of the Central Provident Fund Board and NTUC Income Insurance Co-operative.

Mr Lau holds a Bachelor of Engineering (First Class Honours) from the University of Singapore and is a Chartered Financial Analyst.

# Key Management Committee

Hyflux's Key Management Committee is responsible for driving the Group's strategic vision, formulating business plans to achieve business goals, creating the conditions for successful day-to-day operation and delivering long-term value for all stakeholders.

**Olivia Lum**
Executive Chairman &
Group Chief Executive Officer

**Gary Kee**
Executive Director

**Winnifred Heap**
Group Senior EVP

**Lim Suat Wah**
Group EVP &
Group Chief Financial Officer

**Wong Lup Wai**
Group EVP &
Group Chief Operating Officer

# Management Committee

The Management Committee implements the Group's vision and executes global operational plans.

**Peter Wu**
Group Senior MD, Business Development

**Kum Mun Lock**
Group Senior MD, Business Development

**Oon Chong Howe**
Group Senior MD, Business Development

**Zhao Qing**
Group Senior MD & Chief Executive Officer, China

**Zhao Ping**
Group Senior MD & Chief Executive Officer,
Galaxy NewSpring

**Cheong Aik Hock**
Group Senior VP, Legal

**Adrian Chong**
Group Senior VP, Commercial Contracts and Purchasing

**Nah Tien Liang**
Group Senior VP, Investment

**Jeremy Tan**
Group Senior VP, Human Resource

# Geographical Presence

- Our offices
- Landmark plants
- Membrane installations

More Than

**1,300**

Membrane Products and Systems Installed

In Over

**400**

Locations Worldwide


## Landmark Projects

**Magtaa Desalination Plant, Algeria**
Capacity: 500,000 $m^3$/day

**Tuaspring Desalination Plant, Singapore**
Capacity: 318,500 $m^3$/day

**Souk Tleta Desalination Plant, Algeria**
Capacity: 200,000 $m^3$/day

**Qurayyat Independent Water Project, Oman***
Capacity: 200,000 $m^3$/day

**Zunyi Wastewater Treatment Plant, China**
Capacity: 150,000 $m^3$/day

**SingSpring Desalination Plant, Singapore**
Capacity: 136,380 $m^3$/day

**Tianjin Dagang Desalination Plant, China**
Capacity: 100,000 $m^3$/day

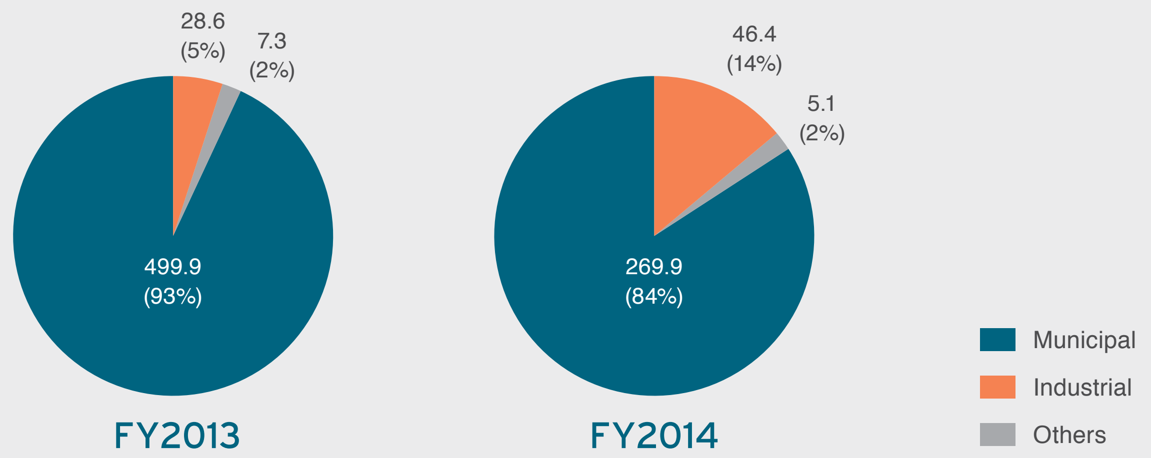
* development in progress

# Financial Review

For year ended 31 December

| (S$ million) | 2013 | 2014 | % change |
|---|---|---|---|
| Revenue | 535.8 | **321.4** | (40) |
| Profit before tax | 51.6 | **53.1** | 3 |
| Profit attributable to shareholders | 44.0 | **57.5** | 31 |
| Earnings per share (cents) | 2.42 | **1.66** | (31) |

**Group Revenue by Segment**
(S$ million)




## OVERVIEW

Hyflux as a group achieved profit attributable to the shareholders of the Company of S$57.5 million for the financial year ended 31 December 2014 (FY2014), an increase from S$44.0 million for the financial year ended 31 December 2013 (FY2013). Gross profit of S$157.5 million was reported in FY2014 compared to S$268.5 million in FY2013. Basic earnings per share decreased by 31% to 1.66 Singapore cents for FY2014.

## REVENUE

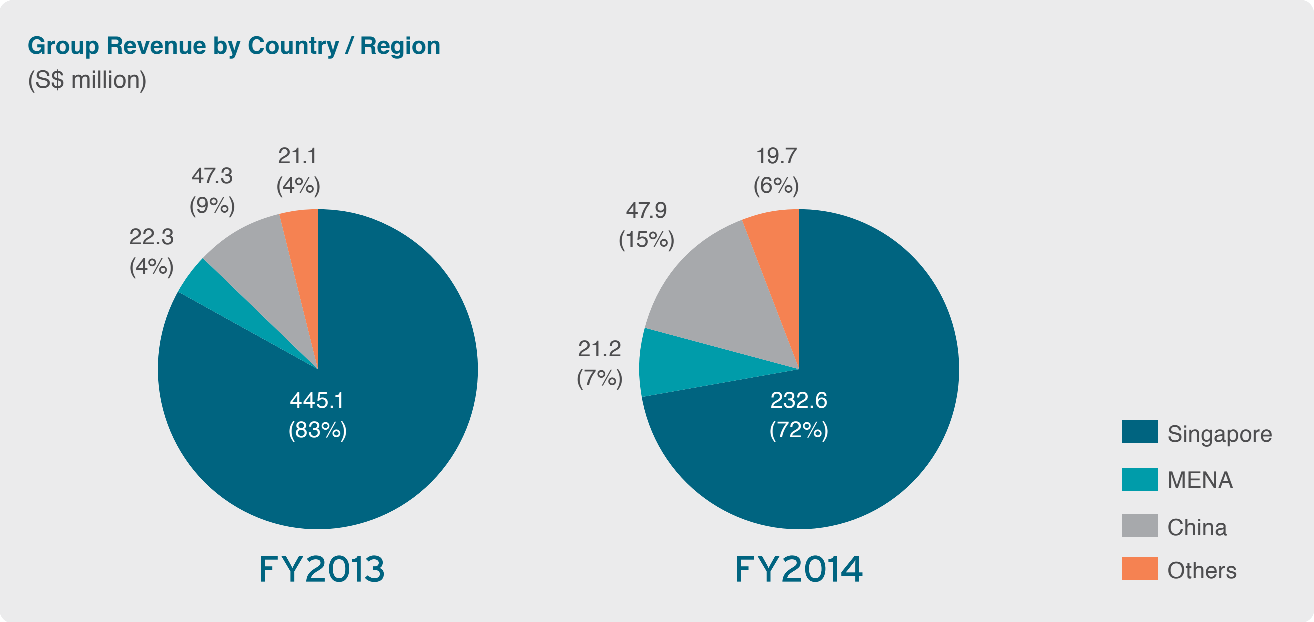
Total revenue for FY2014 was S$321.4 million, a 40% decline from FY2013 of S$535.8 million mainly due to the timing of project construction activities following the completion of Tuaspring Desalination Plant, and the slower than anticipated commencement of the Dahej project.

The municipal sector continued to be the main contributor to Hyflux's revenue, accounting for 84% of the total revenue in FY2014. For FY2013, the municipal sector contributed 93%. Our municipal projects are in Asia and the Middle East & North Africa (MENA).

Revenue from the industrial sector made up 14% of Hyflux's revenue in FY2014, an increase from 5% in FY2013 as we focused on the design and supply of technology packages for various water treatment solutions.

The Singapore market remained the key revenue contributor, amounting to 72% and 83% of our total revenues in FY2014 and FY2013 respectively.

The China market contributed 15% to the total revenue in FY2014, an increase from 9% in FY2013. Revenue from MENA accounted for 7% in FY2014, an increase from 4% in FY2013.




## OTHER INCOME, COSTS AND EXPENSES

In FY2014, Hyflux entered into a sale and leaseback agreement on our building, Hyflux Innovation Centre (HIC); and disposed of our investments in Hyflux Marmon Development Pte Ltd, a joint venture, as well as Marmon Hyflux Investments Pte Ltd, an associate (collectively as Marmon entities), to Marmon Water (Singapore) Pte Ltd, recognising gains amounting to S$103.8 million and S$54.1 million, respectively.

Direct costs decreased from S$267.3 million in FY2013 to S$163.9 million in FY2014 in line with revenue.

Staff costs increased marginally from S$73.1 million in FY2013 to S$75.2 million in FY2014.

Depreciation, amortisation and impairment decreased from S$42.1 million in FY2013 to S$32.6 million in FY2014. Higher impairment charges in FY2013 were attributable to non-core businesses and assets as well as deconsolidation of a subsidiary.

Finance costs increased by 27% from S$27.5 million in FY2013 to S$34.8 million in FY2014 arising mainly from financing of our assets under development, the Tuaspring plant.

Other expenses increased from S$79.0 million in FY2013 to S$120.5 million in FY2014, primarily due to utility charges for Tuaspring Desalination Plant, which commenced operation in September 2013, as a result of the delay in the national grid connection to the on-site power plant, and provisions made against receivables.

Share of losses of associates and joint ventures increased from S$5.4 million to S$11.3 million reflecting lower than expected plant utilisation rates compared to designed capacity.

We recorded a net income tax credit of S$5.8 million for FY2014 due mainly to recognition of tax losses available for future utilisation of certain entities as well as reversal of provision relating to prior years.

## EARNINGS PER SHARE

Basic and diluted earnings per share was 1.66 Singapore cents for FY2014 (adjusted for dividends on preference shares and perpetual capital securities), compared to the basic and diluted earnings per share of 2.42 Singapore cents for FY2013 (adjusted for dividends on preference shares).

# Financial Review

## BALANCE SHEET REVIEW

Shareholders' equity increased from S$882.6 million as at 31 December 2013 to S$1,337.2 million as at 31 December 2014. The perpetual capital securities issuance in January and July 2014 totalling S$475.0 million; and foreign operations translation gains arising from the strengthening of the Chinese Renminbi and US dollar against the Singapore dollar contributed to the overall increase in equity base. The increase was, however, lowered by the marked-to-market effect of interest rate swaps relating to Hyflux's floating rate loan, dividends for the year as well as purchase of treasury shares. We purchased 10.4 million treasury shares for a total cost of S$10.5 million during the year.

Current assets increased from S$620.9 million as at 31 December 2013 to S$838.8 million as at 31 December 2014 mainly due to the net proceeds from the issuance of perpetual capital securities and divestments during the year. As at 31 December 2014, a leasehold property with carrying value of S$4.0 million was reclassified to an asset held for sale pursuant to sale and purchase agreements entered into by Hyflux with a third party. The sale was completed subsequent to year-end upon satisfaction of conditions precedent and legal title transfers.

Non-current assets increased from S$1,775.6 million as at 31 December 2013 to S$1,902.9 million as at 31 December 2014, mainly from our continuing investments in service concession projects and deferred tax assets recognised, offset by the disposal of HIC.

Current liabilities rose from S$359.9 million as at 31 December 2013 to S$390.6 million as at 31 December 2014. Included in the current liabilities was a fixed-rate unsecured notes issued under Hyflux's Multicurrency Debt Issuance Programme amounting to S$75.0 million that will become payable in March 2015. The amount was reclassified from long-term borrowings as at year-end.

Non-current liabilities recorded a corresponding decrease from S$1,150.4 million as at 31 December 2013 to S$1,009.1 million as at 31 December 2014, primarily due to the reclassification mentioned above as well as repayment of borrowings during the year. As at 31 December 2014, fixed-rate unsecured notes amounting to S$419.1 million will mature between 2016 and 2019.

## CASHFLOW AND LIQUIDITY

Our overall cash position increased from S$243.9 million as at 31 December 2013 to S$444.4 million as at 31 December 2014.

In FY2014, net cash of S$226.1 million was used in our operating activities, mainly towards investments in projects with service concession arrangements. Excluding cash used in these projects, net cash outflows from operating activities were S$15.0 million.

Cash generated from investing activities of S$206.3 million in FY2014 was largely contributed by net proceeds from the sale and leaseback of HIC as well as disposals of investments in the Marmon entities. This was offset by loans to a joint venture, acquisition of property, plant and equipment, and additional capital injection into Tahlyat Myah Magtaa SPA (TMM), Hyflux's 47% associate.

The issuance of S$475.0 million of perpetual capital securities in aggregate, in January and July 2014, contributed to the net financing inflows in FY2014. The inflow was offset by repayment of borrowings including one of our fixed-rate unsecured notes of S$60.0 million; payments of dividends on ordinary shares, preference shares and perpetual capital securities; and interest costs. Proceeds from the issuance of perpetual capital securities are used for continued strategic investments by the Group.

# Operating Review

An artist's impression of Qurayyat Independent Water Project, Oman

## ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC)

In 2014, Hyflux started to see signs of recovery in the global water industry with new large-scale water projects coming into the market after several challenging years.

We received a letter of award in December 2014 from the government-owned Oman Power and Water Procurement Company SAOC for an international tender to design, build, own and operate an independent water project (IWP) in Qurayyat, Sultanate of Oman. Worth an estimated US$250.0 million, the seawater reverse osmosis desalination plant with a designed capacity of 200,000 $m^3$/day, is scheduled to commence commercial operation by May 2017 for a period of 20 years. Our role includes turnkey EPC as well as operations and maintenance of the plant. The value of the EPC contract is estimated at US$210.0 million. Just before this Annual Report went to print, we signed the water purchase agreement for the project. Construction is expected to start soon. Qurayyat IWP is our second project in the Sultanate. Our first project, a 68,000 $m^3$/day desalination facility for Sembcorp Industries' Salalah Independent Water and Power Plant, has been in operation since 2012.

We also marked key milestones for two major projects.

We officially opened Magtaa Desalination Plant in Algeria in November 2014. At 500,000 $m^3$/day, it is one of the largest seawater reverse osmosis desalination plants in

# Operating Review

World's largest ultrafiltration pre-treatment installation, Magtaa Desalination Plant, Algeria

the world. Magtaa Desalination Plant will supply water to Oran, Algeria's second largest city, and the neighbouring provinces under a 25-year water purchase agreement with L' Algérienne Des Eaux and Sonatrach.

In Singapore, we completed the construction of the 411 MW combined cycle gas turbine power plant co-located with Tuaspring Desalination Plant during the year. The power plant is expected to be connected to the national power grid in the second half of 2015 after a lengthy grid connection delay. There will then be a period of testing, followed by the commissioning of the plant. When the power plant commences commercial operation, it will provide electricity to the desalination plant, and will, in turn, draw cooling water from the seawater supply to the desalination plant to condense the steam in the condenser and to cool auxiliary services. Excess electricity from the power plant will be sold to the national grid. Our strategic integration of water and power for the Tuaspring project marks our entry into the global independent water and power project segment.

Tuaspring Power Plant co-located with Tuaspring Desalination Plant, Singapore

Hyflux's modular, containerised desalination systems for high quality water solutions

**Our strategic integration of water and power for the Tuaspring project marks our entry into the global independent water and power project segment.**

In India, progress on the seawater reverse osmosis desalination project to be located in the Dahej Special Economic Zone in the state of Gujarat has been slower than anticipated since the signing of the water purchase agreement in 2013. We will continue to work with our Japanese consortium partner Hitachi Ltd and the relevant authorities to achieve financial close.

On the other hand, we have steadily made inroads in the industrial sector in India. During the year, we secured a contract to design, build and supply an ultrafiltration membrane system with a capacity of 96,000 m$^3$/day for a raw water treatment plant at ONGC Petro Additions Limited's petrochemical complex in the Dahej Special Economic Zone. Our largest industrial project in India is expected to be completed in 2015.

Other projects secured in 2014 included a brackish water standard membrane system package for Yoma Strategic Holdings' Pun Hlaing golf estate development in Yangon, Myanmar as well as a modular, containerised desalination system for the Yanbu Port in Saudi Arabia.

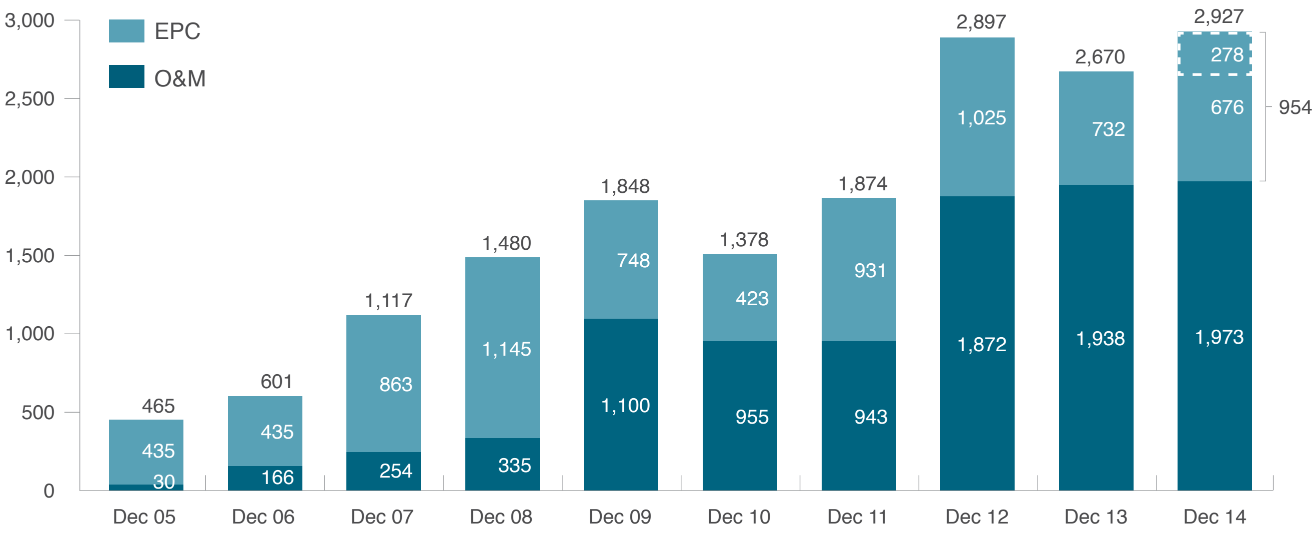
These projects demonstrate the breadth of the water and wastewater treatment solutions Hyflux can offer to municipalities and industries to help them to meet challenges related to water availability, quality, efficiency and the environment.

At the end of FY2014, our EPC order book was S$954.0 million.

# Operating Review

## Order Book

(S$ million)




Note:
1. O&M order book is a summation of future revenues of our portfolio of plants over 20-30 year concession periods.
2. Dec-14 EPC order book includes Dahej desalination project. Water Purchase Agreement (WPA) was signed in January 2013.
3. Dec-14 EPC order book includes S$278 million for Qurayyat project. WPA was signed in March 2015.
4. Dec-14 O&M order book includes Tuaspring and Magtaa projects.

### OPERATIONS & MAINTENANCE (O&M)

Our O&M order book was S$2.0 billion in FY2014. We operate and maintain more than 30 water, wastewater, water recycling and desalination plants worldwide. The concession periods of these projects range from 20 to 30 years. We expect our O&M order book to rise further as we continue to build up a steady, recurring stream of income.

### INDUSTRY OUTLOOK

The global water industry continues to face headwinds brought on by weaker oil prices and economic uncertainties. However, growth prospects for the mid- to long-term remain positive. Forecasts from Global Water Intelligence indicate that recovery is in sight for the desalination market as project delays and cancellations gradually give way to new project announcements and tenders. The desalination business is expected to grow by 61% to become a US$21.0 billion a year industry by 2019.

**We strive for continuous innovation in design, techniques and processes as well as invest in the development of new products and technologies to deliver better performance efficiency and reliability, and to anticipate tomorrow's challenges.**

Climate change as well as population and economic growth are putting unprecedented stress on global water resources. Many people do not have access to safe drinking water because water resources are limited or polluted by domestic and industrial wastewater. By 2035, the world's population is projected to increase by 1.6 billion to reach 8.7 billion while urban areas will more than double in size. Much of this increase will be concentrated in Asia and Africa. Over the same period, GDP is expected to more than double.

With rapid urbanisation and the growth of megacities, the pressure on the environment, water and energy resources, and sanitation will be tremendous. New opportunities will become available as cities increasingly recognise the need to embrace a sustainable, integrated approach to urban development and resource management. Hyflux's approach in providing integrated water and power solutions can help cities draw on the synergies between water, energy and waste so that resources and land use can be optimised.

We strive for continuous innovation in design, techniques and processes as well as invest in the development of new products and technologies to deliver better performance efficiency and reliability, and to anticipate tomorrow's challenges. In June 2014, we launched the Floating Desalination Production Vessel at the Singapore International Water Week. The vessel is equipped with a comprehensive desalination facility on board that draws on our expertise in design, engineering and installation. For coastal regions where land is limited or where short-term water solutions are required, mobile floating desalination plants offer a quick and highly flexible alternative to land-based desalination plants.

We will focus on growing our presence in Africa and Latin America by setting up new offices in Nigeria and Mexico. This will place us closer to selective markets in these regions where we are pursuing municipal and industrial projects.

# Corporate Governance

## INTRODUCTION

Hyflux Ltd (the "**Company**") continues to place great importance on the governance of the Company and its subsidiaries (together, the "**Group**"), which it believes is vital to its well being and success. The Company is committed to maintaining high standards of corporate governance and processes that will enhance the Group's effectiveness, ensure the appropriate degree of accountability and transparency and an increase in long term value and return to shareholders.

The Group subscribes to the Singapore Code of Corporate Governance issued by the Monetary Authority of Singapore ("**Code**") and believes that this forms a sound platform for supporting good corporate governance practices.

This corporate governance statement ("**Statement**") outlines the main corporate governance practices of the Group with specific reference made to the principles and guidelines of the Code, forming part of the Continuing Obligations set out in the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Company has complied substantially with the requirements of the Code and provided an explanation for any deviation from the Code, where applicable. The Group will continue to review and refine its practices in light of best practices in the market, consistent with the needs and the circumstances of the Group.

In developing the appropriate corporate governance practices, the Group takes into account all applicable legislations and recognised standards. The Group is committed to instilling and maintaining good corporate governance at all times.

## A. BOARD MATTERS

*Principle 1: The Board's Conduct of Affairs*

The primary role of the Company's board of directors ("**Board**") is to protect and enhance long-term shareholders' value and to ensure that the Group is run in accordance with best international management and corporate governance practices, appropriate to the needs and development of the Group.

The Board is responsible for general oversight of the Group's activities and performance and for setting the Group's overall strategic direction. It provides leadership and guidance on corporate strategies, business directions, risk policies and implementation of corporate objectives, thereby taking responsibility for the overall corporate governance of the Group.

In delegating responsibility for the day-to-day operation and leadership of the Group to the Executive Chairman and Chief Executive Officer and the management team, the Board has processes and systems in place to ensure that significant issues, risks and major strategic decisions are monitored and considered at Board level.

To assist in the execution of its responsibilities, the Board has established several Board Committees, namely, Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and Investment Committee. These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis.

Matters which are specifically reserved to the full Board for decision are those involving material acquisitions, disposal of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders, conflict of interest for substantial shareholder or Director, as well as interested person transactions.

The meeting schedules of all the Board and Board Committees for the calendar year are given to all Directors well in advance. The Board may convene additional meetings to address any specific significant matters that may arise from time to time.

The Articles of Association of the Company provide for Directors to conduct meetings by teleconferencing or videoconferencing. The Board and Board Committees may also make decisions by way of circulating resolutions.

The Board held four meetings in the 2014 financial year. A summary of attendance by Directors at Board and Board Committees meetings for the financial year ended 31 December 2014 is as follows:

| | **Board of Directors** | | **Audit Committee** | | **Nominating Committee** | | **Remuneration Committee** | | **Risk Management Committee** | | **Investment Committee** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name of Directors** | **No. of Meetings Held** | **No. of Meetings Attended** | **No. of Meetings Held** | **No. of Meetings Attended** | **No. of Meetings Held** | **No. of Meetings Attended** | **No. of Meetings Held** | **No. of Meetings Attended** | **No. of Meetings Held** | **No. of Meetings Attended** | **No. of Meetings Held** | **No. of Meetings Attended** |
| Olivia Lum Ooi Lin | 4 | 4 | 4 | 4* | 2 | 2 | 2 | 2* | 2 | 2* | 1 | 1 |
| Teo Kiang Kok | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 1 | 2 | 2 | NA | NA |
| Lee Joo Hai | 4 | 4 | 4 | 4 | NA | NA | NA | NA | 2 | 2[2] | NA | NA |
| Gay Chee Cheong | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 | NA | NA | 1 | 1 |
| Christopher Murugasu | 4 | 4 | NA | NA | 2 | 2 | 2 | 2 | 2 | 2 | NA | NA |
| Simon Tay | 4 | 4 | NA | NA | NA | NA | NA | NA | 2 | 2 | 1 | 1[5] |
| Gary Kee Eng Kwee | 4 | 4 | 4 | 4* | NA | NA | 2 | 2* | 2 | 2[3]* | 1 | 1 |
| Lau Wing Tat | 2 | 2[1] | 2 | 2[1] | NA | NA | NA | NA | 1 | 1[4] | NA | NA |

Legend:
NA Not Applicable
* Attendance by invitation.
1 Appointed as a Director of the Company and a member of the Audit Committee with effect from 1 July 2014.
2 Relinquished his position as Chairman with effect from 7 August 2014 but remains as a member of the Risk Management Committee.
3 Resigned as a member of the Risk Management Committee with effect from 7 August 2014.
4 Appointed as Chairman and a member of the Risk Management Committee with effect from 7 August 2014.
5 Appointed as a member of the Investment Committee on 7 August 2014.

The Group has adopted a set of Policy on Signing Limits, setting out the level of authorization required for specific transactions, including those that require Board's approval.

Newly appointed Directors are provided with a training and induction programme, so as to familiarise them with the Group's business activities, strategic directions, policies and new key projects. In addition, newly appointed Directors are also introduced to the senior management team.

Directors are updated from time to time on changes in relevant laws and regulations; industry developments and business initiatives; and analyst and media commentaries on matters related to the Group and water industry.

*Principle 2: Board Composition and Guidance*

As at the date of this Statement, the Board comprises eight Directors, of whom six are Non-Executive Independent Directors.

# Corporate Governance

## COMPOSITION OF BOARD AND BOARD COMMITTEES

| Name of Directors | Board | Audit Committee | Nominating Committee | Remuneration Committee | Risk Management Committee | Investment Committee |
|---|---|---|---|---|---|---|
| Olivia Lum Ooi Lin | Executive Chairman and Director | | Member | | | Chairman |
| Teo Kiang Kok | Lead Independent Director | Member | Chairman | Member | Member | |
| Lee Joo Hai | Non-Executive Independent Director | Chairman | | | Member | |
| Gay Chee Cheong | Non-Executive Independent Director | Member | Member | Chairman | | Member |
| Christopher Murugasu | Non-Executive Independent Director | | Member | Member | Member | |
| Simon Tay | Non-Executive Independent Director | | | | Member | Member |
| Gary Kee Eng Kwee | Executive Director | | | | | Member |
| Lau Wing Tat | Non-Executive Independent Director | Member | | | Chairman | |

The Board considers an independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment acting in the interests of the Group. The Company's policy is to have independent Directors make up at least half of the Board.

While all the Directors have equal responsibilities for the performance of the Group, Non-Executive Directors exercise no management function in the Company or any of its subsidiaries. The role of Non-Executive Directors is primarily to ensure that the strategies proposed by the management are fully discussed, vigorously examined, taking into consideration the long-term interest of the shareholders, employees, customers, suppliers and the communities in which the Group conducts its business.

The Board is of the view that there is a strong and independent element on the Board in that all Directors, other than Ms Olivia Lum Ooi Lin and Mr Gary Kee Eng Kwee, are Independent Directors. The present Board size and number of Board Committees facilitate effective decision making and is appropriate for the nature and scope of the Group's business and operations.

The Board believes the composition of the Board requires consideration of a number of factors, including the mix in skills, abilities and expertise, the mix in the length of time Directors have had on the Board, as well as experience on other boards.

The Board consists of respected business leaders and professionals whose collective core competencies and experience are extensive, diverse and relevant to the Group. The names, qualifications and relevant skills, experience and expertise of the Directors can be found in the "Board of Directors" section of the annual report. As evidenced by this information, the Directors bring to the Board a broad range of experience and expertise.

Where necessary, the Company arranges informal meeting sessions for Independent Directors to meet without the presence of the management.

*Principle 3: Chairman and Chief Executive Officer*

Ms Olivia Lum Ooi Lin is the Executive Chairman and Group Chief Executive Officer of the Company. The Board considers that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

In line with the Code, Mr Teo Kiang Kok was appointed as the Lead Independent Director in 2012 and has been holding this position since then. As Lead Independent Director, Mr Teo chairs all Board meetings. If shareholders of the Company have serious concerns for which contact through the normal channels of the Executive Chairman and Chief Executive Officer or the Chief Financial Officer have failed to resolve or is inappropriate, they may contact the Lead Independent Director.

The Board is of the opinion that the process of decision making by the Board has been independent, based on collective decisions without any individual exercising any considerable concentration of power or influence.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other directors where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

*Principle 4: Board Membership*

The Nominating Committee ("**NC**") has been tasked by the Board to identify, select and recommend individuals with the appropriate skills, expertise and experience for appointment, thereby ensuring a balanced and effective Board at all times.

The NC comprises four Directors:
Mr Teo Kiang Kok (Chairman)
Mr Gay Chee Cheong
Ms Olivia Lum Ooi Lin
Mr Christopher Murugasu

The primary function and duties of the NC are outlined as follows:

1. to make recommendations to the Board on all Board appointments and re-nominations having regard to the composition and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation, candour, and any other salient factors);

2. to ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

3. to determine annually, and as and when circumstances require, whether a Director is independent, in accordance with the independence guidelines set out in the Code;

4. to review whether a Director is able to and has adequately carried out his duties as a Director of the Company, in particular where the Director concerned has multiple board representations;

5. proposes a framework for assessing Board effectiveness and individual Director's contribution, and carry out such assessment; and

6. reviews and recommends to the Board, the training and professional development programmes for the Directors.

# Corporate Governance

In carrying out the assessment of the independence of the Non-Executive Directors, the NC considered the following attributes and contributions of all the Non-Executive Independent Directors and found that the length of tenure does not have any impact on their independence:

1. The Non-Executive Independent Directors provide their objective and constructive views to the Board and management;

2. The Non-Executive Independent Directors always speak up and offer practical solutions to issues and work towards increasing value of the Group for the benefit of all shareholders; and

3. The Non-Executive Independent Directors evaluate and assess the 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/policies adopted by the Group.

The NC believes that the Non-Executive Independent Directors' experience and knowledge of the Group's business, combined with their external business and professional experience enable them to provide effective challenges and make constructive contributions to management discussions.

In addition, all the Non-Executive Independent Directors have made written confirmations to their independence in accordance with the Code and the SGX-ST's Listing Manual.

Accordingly, the NC has determined that Mr Teo Kiang Kok, Mr Lee Joo Hai, Mr Gay Chee Cheong and Mr Christopher Murugasu are independent directors notwithstanding that each of them has served on the Board for more than nine years from the dates of their respective appointment. The Board accepts the NC's view and affirms the independence of these Directors.

All Directors are required to declare their board representations. Although the Non-Executive Independent Directors hold directorships in other companies, the Board is of the view that such multiple Board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The NC has reviewed the work and other commitments of such Directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that these Directors have committed and are able to commit sufficient time, effort and attention to the affairs of the Group. The NC is of the view that fixing a number for such board representation is not meaningful in the context of the Group. The Board accepts and affirms the view of the NC.

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely, Mr Lau Wing Tat, Mr Gary Kee Eng Kwee and Mr Simon Tay.

In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs.

There is no alternate director on the Board.

The profiles of the Directors are set out in the "Board of Directors" section of the annual report. The shareholdings of the individual Directors of the Company are set out in the "Directors' Report" of the annual report. None of the directors hold shares in the subsidiaries of the Company.

*Principle 5: Board Performance*

The Code recommends that the NC be responsible for assessing the effectiveness of the Board as a whole and the individual Directors' contribution. The NC believes that it is more appropriate and effective to focus the assessment on the Board as a whole, bearing in mind that each member of the Board contributes in different ways to the success of the Group.

The NC in conducting the evaluation and appraisal process focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct.

The Board is of the view that the financial indicators, as set out in the Code as a guide for the evaluation of the Board and its Directors, may not be appropriate as they are more relevant as a form of measurement of the management's performance.

The NC conducted a Board performance evaluation to assess the effectiveness of the Board as a whole throughout the financial year ended 31 December 2014 and is satisfied that sufficient effort, time and attention have been given by the Directors to the affairs of the Group. The NC has discussed with the Board its assessment of the Board's performance and effectiveness.

The NC also evaluated on a continual basis the performance of individual Directors based on performance criteria which included individual skills, industry experience and business knowledge, attendance record, contributions to strategy development and quality of participation at Board and Committee meetings.

*Principle 6: Access to Information*

The Board has separate and independent access to senior management of the Group, the Company Secretary and the external auditors at all times. The Directors also have unrestricted access to the Company's records and information, all minutes of meetings held by the Board and Board Committees and management accounts to enable them to carry out their duties.

The Company Secretary attends all Board and Board Committees meetings. The Company Secretary administers, attends and prepares minutes of the Board and Board Committees meetings, and assists in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary's role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements, as well as Board policies and procedures are complied with. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, require professional advice, the Company shall upon the direction of the Board, appoint a professional advisor selected by such Director(s). The costs of such service shall be borne by the Company.

# Corporate Governance

## B. REMUNERATION MATTERS

*Principle 7: Procedures for Developing Remuneration Policies*

The Remuneration Committee ("**RC**") comprises three Directors:
Mr Gay Chee Cheong (Chairman)
Mr Teo Kiang Kok
Mr Christopher Murugasu

The RC is committed to the principles of accountability and transparency; and it ensures that remuneration arrangements demonstrate a clear link between reward and performance.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Director and senior management employees.

The RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonus, and employees share options and benefits in kind and specific remuneration package for each Director.

In structuring a compensation framework for Executive Directors and senior management employees, the RC seeks to link a portion of the compensation to the Group's performance. RC also reviews and recommends to the Board the remuneration package for the Non-Executive Directors. Its recommendations are submitted for endorsement by the Board. The RC, when deemed necessary, may obtain expert advice with regard to remuneration matters.

*Principle 8: Level and Mix of Remuneration*

The remuneration policy of the Group is to provide compensation packages at market rates, reward performance and attract, retain and motivate Directors and members of the senior management team.

The Executive Directors do not receive Directors' fees. The Executive Directors and senior management employees remuneration packages are based on service contracts and their remuneration packages are determined having due regard to the performance of the individuals, the Group as well as market trends.

Non-Executive Independent Directors are paid yearly Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, motivate and retain the Directors.

*Principle 9: Disclosure on Remuneration*

An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and employees. The remuneration package for Executive Directors and employees consists of both fixed and variable components. The variable component is determined based on the performance of the individual employee and the Group's performance in the relevant financial year. Annual increments and adjustments to remuneration are reviewed and approved taking into account the outcome of the annual appraisal of the employees.

Non-Executive Directors are paid Directors' fees that are subject to shareholders' approval at the Company's Annual General Meeting ("**AGM**"). The RC recommends total Directors' fees of S$478,301 be paid to Non-Executive Directors for the financial year ended 31 December 2014. This will be tabled for shareholders' approval at the forthcoming AGM.

The remuneration of each individual Director and top seven key executives of the Group is however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in as well as competitive pressures in the talent market.

The following table sets out the summary compensation table for Directors and top seven key executives for the financial year ended 31 December 2014:

| | Salary | Bonus | Fees | Employees' Share Option Scheme | Allowances and other benefits | Total |
|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | |
| **Between S$750,000 to S$1,000,000** | | | | | | |
| Olivia Lum Ooi Lin | 64% | 11% | 0% | 22% | 3% | 100% |
| **Between S$500,000 to S$750,000** | | | | | | |
| Gary Kee Eng Kwee | 79% | 18% | 0% | 1% | 2% | 100% |
| **Below S$250,000** | | | | | | |
| Teo Kiang Kok | 0% | 0% | 89% | 11% | 0% | 100% |
| Lee Joo Hai | 0% | 0% | 89% | 11% | 0% | 100% |
| Gay Chee Cheong | 0% | 0% | 89% | 11% | 0% | 100% |
| Christopher Murugasu | 0% | 0% | 87% | 13% | 0% | 100% |
| Simon Tay | 0% | 0% | 93% | 7% | 0% | 100% |
| Lau Wing Tat | 0% | 0% | 100% | 0% | 0% | 100% |

| | Salary | Bonus | Fees | Employees' Share Option Scheme | Allowances and other benefits | Total |
|---|---|---|---|---|---|---|
| **TOP SEVEN KEY EXECUTIVES** | | | | | | |
| **Between S$500,000 to S$750,000** | | | | | | |
| Winnifred Heap | 78% | 13% | 0% | 7% | 2% | 100% |
| Lim Suat Wah | 76% | 18% | 0% | 3% | 3% | 100% |
| Wong Lup Wai | 78% | 18% | 0% | 2% | 2% | 100% |
| **Below S$500,000** | | | | | | |
| Kum Mun Lock | 79% | 15% | 0% | 3% | 3% | 100% |
| Peter Wu Siu Kin | 76% | 13% | 0% | 2% | 9% | 100% |
| Zhao Qing | 84% | 13% | 0% | 3% | 0% | 100% |
| Zhao Ping | 82% | 11% | 0% | 0% | 7% | 100% |

The Company has not granted any termination, retirement and post-employment benefits to any directors and the top seven executives of the Group.

In aggregate, the total remuneration paid to the top seven key executives in financial year ended 2014 is S$2,927,626.

The Company implemented Hyflux Employees' Share Option Scheme ("ESOS") as part of compensation plan to attract, retain and reward talent for performance. Details of the ESOS and options granted can be found in the "Directors' Report" section of the annual report.

## IMMEDIATE FAMILY MEMBERS OF DIRECTORS

There are no immediate family members of Directors or controlling shareholders in employment with the Group and whose remuneration exceeds S$50,000 during financial year ended 31 December 2014.

# Corporate Governance

## C. ACCOUNTABILITY AND AUDIT

*Principle 10: Accountability*

The Board promotes timely and balanced disclosure of all material matters concerning the Group. It updates shareholders on the operations and financial position of the Group through quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the SGX-ST's Listing Manual requirements and other relevant rules and regulations.

Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Board is accountable to shareholders for the management of the Group and the management is accountable to the Board by providing the Board with the necessary information for the discharge of its duties.

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

*Principle 11: Risk Management and Internal Controls*

The Board recognizes the importance of maintaining a sound system of risk management and internal control within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks.

The Audit Committee ("**AC**") and the Risk Management Committee ("**RMC**") oversee and ensure that such system has been appropriately implemented and monitored.

The risk management and internal control processes and framework are intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.

The RMC comprises five Directors:
Mr Lau Wing Tat (Chairman)
Mr Lee Joo Hai
Mr Teo Kiang Kok
Mr Simon Tay
Mr Christopher Murugasu

The functions of the RMC are as follows:

1. to review with management, and, where needed, with external consultants on areas of risk that may affect the viability and smooth operations of the Group, as well as management's risk mitigation efforts, with the view of safeguarding shareholders' interests and Group's assets;

2. to direct and work with management to develop and review policies and processes to address and manage identified areas of risk in a systematic and structured manner;

3. to make recommendations to the Board in relation to business risks that may affect the Group, as and when these may arise; and

4. to perform any other functions as may be agreed by the Board.

The Board regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Board. The financial risk management objectives and policies are outlined in the financial statements. Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Board is in a position to make more informed decisions and will benefit from a better balance between risk and reward. This will assist in safeguarding and creating shareholders' value.

The AC and the Board have received assurance from the Chief Executive Officer, the Chief Financial Officer and department heads of the respective business units of the Company that as of 31 December 2014:

(1) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(2) the Group's risk management and internal control systems to address the key financial, operational and compliance risks affecting the operations are adequate to meet the needs of the Group in its current business environment.

The AC, together with the Board, have reviewed the adequacy and effectiveness of the Group's risk management and internal control system put in place to address the key financial, operational, compliance and information technology risks affecting the operations.

Based on the reports submitted by internal and external auditors, and reviews by the management, the Board with the concurrence of the AC are satisfied that the risk management and internal control systems put in place to address the key financial, operational, compliance and information technology risks affecting the operations are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2014.

*Principle 12: Audit Committee*

The AC comprises four Directors:
Mr Lee Joo Hai (Chairman)
Mr Gay Chee Cheong
Mr Teo Kiang Kok
Mr Lau Wing Tat

# Corporate Governance

In accordance with the principles in the Code, the AC comprises all Non-Executive Directors. The members of AC, collectively, have expertise and extensive experience in accounting, financial management and business, and are qualified to fulfill the AC's responsibilities.

The primary functions of the AC are as follows:

1. to assist the Board in discharging its statutory responsibilities on financial and accounting matters;

2. to review the financial and operating results and accounting policies of the Group;

3. to review significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. to review the adequacy and effectiveness of the Company's internal control (financial, operational, compliance and information technology) policies and systems established by the management, either carried out internally or with the assistance of any competent third parties;

5. to review the audit plans and reports of the external and internal auditors and to consider the effectiveness of the actions taken by management on the auditors' recommendations;

6. to appraise and report to the Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

7. to review the independence of external auditors annually and to consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and to approve the remuneration and terms of engagement of the external auditors; and

8. to review interested person transactions, as defined in the SGX-ST's Listing Manual.

In fulfilling its responsibilities, the AC receives regular reports from the management and the external auditors, Messrs KPMG LLP. The AC has full access to and co-operation of the management and meets with Messrs KPMG LLP in private at least once a year, and more frequently if necessary. The external auditors provide the AC with updates on recent developments in accounting standards on a periodic basis.

The AC reviewed all the non-audit services provided by the external auditors and the aggregate amount of audit fees paid to them. For details of fees payable to the external auditors in respect of audit and non-audit services, please refer to "Note 25 of the Notes to the Financial Statements" section of this annual report. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors; hence has recommended the re-appointment of Messrs KPMG LLP as external auditors of the Company at the coming AGM of the Company.

The AC has explicit authority within the scope of its responsibilities to seek any information it requires or to investigate any matter within its terms of reference. The AC has adequate resources to enable it to discharge its responsibilities properly.

The Board has put in place a confidential communication programme as endorsed by the AC. Employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The details of the confidential communication programme and arrangements have been made available to all employees.

No former partner or director of the Company's existing external auditors is a member of the AC.

*Principle 13: Internal Audit*

The Board has put in place a dedicated team of internal auditors. The internal audit function reviews the effectiveness of the material internal controls of the Group. The head of internal audit reports directly to the Chairman of the AC and has an appropriate standing within the Group. The AC also ensures that the internal audit function is adequately resourced, and reviews annually the adequacy of the internal audit function. The internal audit team meets the standards set by nationally and internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Within this framework, the internal audit function provides reasonable assurance that the risks incurred by the Group in each major activity will be identified, analysed and managed by management. The internal auditors will also make recommendations to enhance the effectiveness and security of the Group's operations.

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITY

*Principle 14: Shareholder Rights*

*Principle 15: Communication with Shareholders*

*Principle 16: Conduct of Shareholder Meetings*

The Company is committed to regular and proactive communication with its shareholders. It aims to provide shareholders with clear, balanced, useful and material information on a timely basis to ensure that shareholders receive a balanced and up-to-date view of the Group's performance and business.

Communication is made through:

1. an annual report that is prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future development and other disclosures required by the Companies' Act, Chapter 50, and Singapore Financial Reporting Standards;

2. quarterly and full-year financial statements comprising a summary of the financial information and affairs of the Group for the relevant period;

3. explanatory memoranda for AGM and extraordinary general meetings;

4. press releases on major developments of the Group;

5. disclosures to the SGX-ST via SGXNET; and

6. the Group's website at http://www.hyflux.com at which shareholders can access information on the Group at all times.

# Corporate Governance

In addition, shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and growth.

The Company's Articles of Association allows all shareholders the right to appoint up to two proxies to attend and vote on their behalf at shareholders' meetings. The Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in shareholders' meetings as proxies.

Separate resolutions are proposed on each substantially separate issue at the shareholders' meeting. All the resolutions at the general meeting are in single item resolutions.

Shareholders are also given the opportunity to participate effectively and vote at shareholders' meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

Shareholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions to be passed. The Board and senior management are present at each shareholders' meeting to respond to any questions from the shareholders. The Group's external auditors are also present to address queries about the conduct of the audit and the preparation and content of the auditors' report. The Group fully supports the Code's principle to encourage active shareholder participation.

The Company does not have a fixed dividend policy for its ordinary shares. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Notwithstanding the above, the Company has been declaring dividends on half-yearly basis. Any payouts are clearly communicated to the shareholders via the financial results announcement through SGXNET.

## INVESTMENT COMMITTEE

The Investment Committee ("**IC**") comprises four Directors:
Ms Olivia Lum Ooi Lin (Chairman)
Mr Gay Chee Cheong
Mr Gary Kee Eng Kwee
Mr Simon Tay

The functions of the IC are as follows:

1. to oversee all aspects of investment policy and strategy for Group;

2. to review proposals on major investments which are not in the ordinary course of the Group's business and to make recommendations to the Board for its approval; and

3. to review any other matters as authorised by the Board.

## KEY MANAGEMENT COMMITTEE

The Company's Key Management Committee is responsible for driving the Group's strategic vision, formulating business plans to achieve business goals, creating the conditions for successful day-to-day operation and delivering long-term value for all stakeholders.

The Key Management Committee comprises the following members:
Ms Olivia Lum Ooi Lin (Chairman)
Mr Gary Kee Eng Kwee
Ms Winnifred Heap
Ms Lim Suat Wah
Mr Wong Lup Wai

## DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. Its officers are advised not to deal in the Company's shares during the period commencing two weeks or one month before the announcement of the Group's quarterly or full-year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. All officers and employees are also not allowed to deal in the Company's securities on short-term considerations, and are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

## MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interests of the Executive Chairman and Group Chief Executive Officer, each Director or controlling shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## INTERESTED PARTY TRANSACTION

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

For the financial year ended 31 December 2014, the Group did not enter into any transaction that would be regarded as an interested person transaction pursuant to SGX-ST's Listing Manual.

# Corporate Social Responsibility

We value our employees and seek to make Hyflux a place where they can realise their full potential while making a difference at work.

## HUMAN CAPITAL

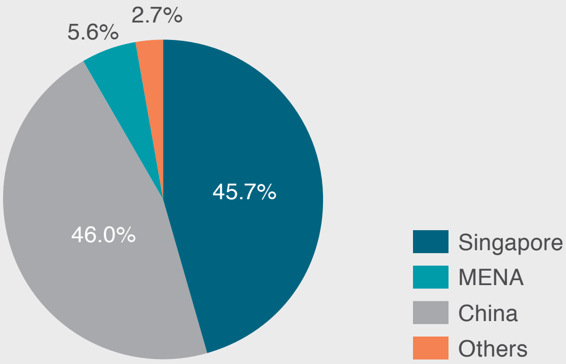
Hyflux has a workforce of some 2,400 employees globally, working together for a common goal to deliver sustainable solutions that improve lives in the communities we serve. Our focus is on recruiting, engaging, motivating and retaining individuals whose skills, aspirations and values are aligned to the company's strategic vision and core values. The diverse backgrounds, experiences and perspectives of the people we recruit not only allow us to understand and connect with our customers around the world, but also serve as catalysts for new ideas and innovation.

We value our employees and seek to make Hyflux a place where they can realise their full potential while making a difference at work. Training and workshops, job rotations and overseas postings are part of the employee development programme to equip our staff with in-depth experience and capabilities that are crucial to our expanding operations and long-term success.

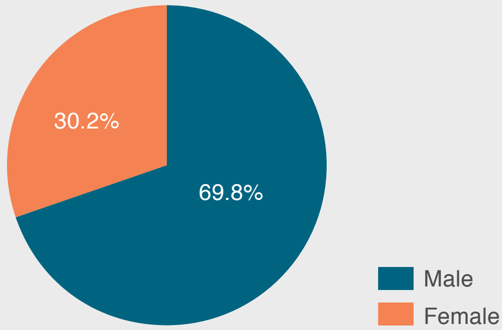
We regularly engage employees through dialogue sessions with senior management and through the company's intranet. We also strive to create a work environment that is fun. Hyfun Club, which is run by representatives from

### Global Workforce (as at 31 December 2014)

**Distribution by Country / Region**




**Distribution by Gender**




various departments, organises recreational events and social activities that foster interaction and bonding. In 2014, we celebrated Hyflux's 25th anniversary at a company retreat with fun activities and team-building programmes. This gave employees the chance to connect and build relations outside of work.

We recognise employees who have made significant contributions to the company with the annual CEO Award. Five employees from our office in Singapore received the award in 2014.

## HEALTH & SAFETY

Safe and reliable operations are a top priority driven by Hyflux's leadership and steered by the Environment, Health and Safety Committee. We strive to protect the health, safety and well-being of our employees through regular reviews of our Quality, Environment, Health and Safety (QEHS) policies to ensure that our business is compliant with the OHSAS 18001 standard.

It is our mission to create an accident-free environment, instil ownership of workplace safety and nurture a safety culture among our employees. We aim to achieve this by equipping them with the skills needed to run safe and efficient operations, as well as conducting monthly training sessions and refresher courses for those working on specific tasks or tasks that carry higher levels of risk to injury. We also expect our contractors to manage safety in line with our policies.

The geographic spread of our operations requires us to prepare for a range of business disruptions and emergency events. We monitor for emerging threats and actions that could cause harm to our employees or disrupt our operations. We also maintain disaster recovery, crisis and business continuity management plans in the event of an incident.

## QUALITY & ENVIRONMENT

Hyflux's water solutions ease the strain on water resources by enabling industries and communities to tap on alternative sources such as used water and seawater, reduce water footprint and limit environmental impact by treating wastewater before it is released into the waterways.

At the same time, we recognise our responsibilities to the natural environment, and take steps to minimise our impact on the environment. In an effort to protect the marine and coastal habitat surrounding our recently inaugurated Magtaa Desalination Plant in Algeria, we used a tunnelling technique called pipe-jacking that reduced the environmental impact when laying the intake and outfall pipes. We also conduct detailed environmental impact assessment studies for our water projects. At our production facilities, we undertake initiatives to reduce water consumption and waste generation through recycling and re-use.

# Corporate Social Responsibility


Hyflux employees raise funds for Children's Cancer Foundation's Hair for Hope

Our membrane products are designed and manufactured in compliance with safety and environmental regulations. We were recently awarded the Certificate of Authorisation – U Stamp from the American Society of Mechanical Engineers (ASME) that certified that our Ferrocep® membranes comply with the code and conform to established safety standards governing the design, fabrication, assembly, and inspection of boiler and pressure vessel components during manufacture.

We strive to improve the efficiency of our operations and performance of water and wastewater treatment systems through innovative design, technology, layout, materials and processes so that we can manage our environmental impact and meet the challenges of tomorrow. In this way, we can help to improve the quality, safety, affordability and accessibility of water for all.

## COMMUNITY

Hyflux seeks to contribute in meaningful ways to the local communities we serve by supporting various initiatives that are close to our heart: education, entrepreneurship, the environment and community relations.

We believe that a good education is essential in setting the foundation for a better future. We partner educational institutions in sponsorships of bursaries, study awards and book prizes, so that deserving students continue to have access to quality education. From time to time, our senior management staff also speak at dialogue sessions or host student groups to share Hyflux's business and operations or their professional experiences. In doing so, we hope to inspire students to explore, discover and develop their potential.

During the year, we took part in many activities in support of children, the elderly and the less fortunate. For the second year running, 29 of our employees shaved their heads for Children's Cancer Foundation's fundraiser, Hair for Hope. In the run-up to the event, we organised a contest and bazaar to raise awareness about childhood cancer. A total of S$17,000 was raised for the charity. We also sponsored our premises to support the Singapore Red Cross Society in their regular blood donation drives. Besides these activities, we contributed to relief efforts during natural disasters.

Our corporate social responsibility philosophy goes beyond philanthropic efforts and we will continue to encourage employees to reach out to communities and foster the spirit of volunteerism. Just as how Hyflux has been able to grow through the opportunities that were presented in the early days, we hope to give back to society and make a difference in the lives of others through offering our time and efforts.

# Table of Contents

# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

**DIRECTORS**

The directors in office at the date of this report are as follows:

| | |
|---|---|
| Olivia Lum Ooi Lin | Executive Chairman and Group CEO |
| Teo Kiang Kok | |
| Lee Joo Hai | |
| Gay Chee Cheong | |
| Christopher Murugasu | |
| Simon Tay | |
| Gary Kee Eng Kwee | |
| Lau Wing Tat | (Appointed on 1 July 2014) |

**DIRECTORS' INTERESTS**

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

| | Direct interest | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| **Name of director and corporation in which interests are held** | **At beginning of the year** | **At end of the year** | **At 21 January 2015** | **At beginning of the year** | **At end of the year** | **At 21 January 2015** |
| **The Company** | | | | | | |
| Ordinary shares | | | | | | |
| Olivia Lum Ooi Lin | 267,351,211 | 267,351,211 | 267,351,211 | – | – | – |
| Teo Kiang Kok | – | – | – | 375,000 | 375,000 | 375,000 |
| Gay Chee Cheong | 1,000,000 | 1,000,000 | 1,000,000 | – | – | – |
| Christopher Murugasu | 1,095,468 | 1,095,468 | 1,095,468 | 180,000 | 180,000 | 180,000 |
| Preference shares | | | | | | |
| Olivia Lum Ooi Lin | 8,020 | 8,020 | 8,020 | – | – | – |
| Teo Kiang Kok | 3,000 | 3,000 | 3,000 | – | – | – |
| Gay Chee Cheong | 12,000 | 12,000 | 12,000 | – | – | – |
| Christopher Murugasu | 2,880 | 2,880 | 2,880 | – | – | – |

# Directors' Report

| Name of director and corporation in which interests are held | Direct interest At beginning of the year | Direct interest At end of the year | Direct interest At 21 January 2015 | Deemed interest At beginning of the year | Deemed interest At end of the year | Deemed interest At 21 January 2015 |
|---|---|---|---|---|---|---|
| **The Company** | | | | | | |
| Share options (2001 Scheme) | | | | | | |
| Olivia Lum Ooi Lin | 6,750,000 | 6,750,000 | 6,750,000 | – | – | – |
| Teo Kiang Kok | 425,000 | 425,000 | 425,000 | – | – | – |
| Lee Joo Hai | 425,000 | 425,000 | 425,000 | – | – | – |
| Gay Chee Cheong | 425,000 | 425,000 | 425,000 | – | – | – |
| Christopher Murugasu | 425,000 | 425,000 | 425,000 | – | – | – |
| Share options (2011 Scheme) | | | | | | |
| Olivia Lum Ooi Lin | 8,598,000 | 8,598,000 | 8,598,000 | – | – | – |
| Teo Kiang Kok | 100,000 | 150,000 | 150,000 | – | – | – |
| Lee Joo Hai | 100,000 | 150,000 | 150,000 | – | – | – |
| Gay Chee Cheong | 100,000 | 150,000 | 150,000 | – | – | – |
| Christopher Murugasu | 100,000 | 150,000 | 150,000 | – | – | – |
| Simon Tay | 100,000 | 150,000 | 150,000 | – | – | – |
| Gary Kee Eng Kwee | 100,000 | 300,000 | 300,000 | – | – | – |

By virtue of Section 7 of the Act, Olivia Lum Ooi Lin is deemed to have interests in the other subsidiaries of the Company, at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2015, except as disclosed above.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except salaries, bonuses and fees and those benefits that are disclosed in this report and in note 34 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

# Directors' Report

## SHARE OPTIONS

The Hyflux Employees' Share Option Scheme (the 2001 Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 September 2001.

On 24 November 2003, the members of the Company approved a modification to the 2001 Scheme which allowed Olivia Lum Ooi Lin, Executive Chairman and Group CEO, and a substantial shareholder of the Company, to participate in the 2001 Scheme. The maximum entitlement of Olivia Lum Ooi Lin is 10% of the total number of shares which may be issued by the Company under the 2001 Scheme.

The 2001 Scheme expired on 26 September 2011.

On 27 April 2011, the members of the Company approved the implementation of a new share option scheme (the 2011 Scheme) to replace the 2001 Scheme that expired on 26 September 2011 and allowed Olivia Lum Ooi Lin, Executive Chairman and Group CEO, and a substantial shareholder of the Company, to participate in the 2011 Scheme. The implementation of the 2011 Scheme and replacement of the expired scheme do not affect the rights of holders of the options under the expired scheme. The maximum entitlement of Olivia Lum Ooi Lin is 10% of the total number of shares which may be issued by the Company under the 2011 Scheme. The aggregate number of scheme shares available to Olivia Lum Ooi Lin and her associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST's Listing Manual)) shall not exceed 25% of the total number of scheme shares available under the 2011 Scheme.

The 2011 Scheme is administered by the Company's Remuneration Committee. It has been in force since 27 September 2011 and shall expire on 26 September 2021.

At the end of the financial year, details of the options granted under the 2001 and 2011 Schemes on the unissued ordinary shares of the Company, are as follows:

| Date of grant of options | Exercise price per share $ | Options outstanding at 1 January 2014 | Options granted | Options exercised | Options forfeited | Options outstanding at 31 December 2014 | Number of holders as at 31 December 2014 | Exercise period |
|---|---|---|---|---|---|---|---|---|
| 2001 Scheme | | | | | | | | |
| 07/02/2005 | 1.2400 | 1,101,250 | – | – | (500) | 1,100,750 | 15 | 07/02/2006 – 06/02/2015 |
| 09/05/2005 | 1.5378 | 6,750,000 | – | – | – | 6,750,000 | 1 | 09/05/2006 – 08/05/2015 |
| 01/06/2005 | 1.6995 | 27,000 | – | – | – | 27,000 | 1 | 01/06/2006 – 31/05/2015 |
| 08/06/2005 | 1.7671 | 40,500 | – | – | – | 40,500 | 1 | 08/06/2006 – 07/06/2015 |
| 28/03/2006 | 1.7747 | 120,000 | – | – | (54,000) | 66,000 | 2 | 28/03/2007 – 27/03/2016 |
| 18/10/2006 | 1.5747 | 1,470,000 | – | – | (720,000) | 750,000 | 1 | 18/10/2007 – 17/10/2016 |
| 07/12/2006 | 1.5813 | 1,173,000 | – | – | (186,000) | 987,000 | 24 | 07/12/2007 – 06/12/2016 |
| 23/05/2007 | 1.7387 | 30,000 | – | – | – | 30,000 | 1 | 23/05/2008 – 22/05/2017 |
| 25/09/2007 | 1.8613 | 1,851,000 | – | – | (1,236,000) | 615,000 | 16 | 25/09/2008 – 24/09/2017 |
| 26/05/2008 | 2.4187 | 1,425,000 | – | – | – | 1,425,000 | 20 | 26/05/2009 – 25/05/2018 |
| 31/10/2008 | 0.9813 | 2,082,000 | – | (377,000) | (54,000) | 1,651,000 | 39 | 31/10/2009 – 30/10/2018 |
| 09/01/2009 | 1.2720 | 750,000 | – | – | – | 750,000 | 1 | 09/01/2010 – 08/01/2019 |
| 15/05/2009 | 1.1987 | 105,000 | – | – | (45,000) | 60,000 | 1 | 15/05/2010 – 14/05/2019 |
| 22/10/2009 | 2.0733 | 225,000 | – | – | (75,000) | 150,000 | 1 | 22/10/2010 – 21/10/2019 |
| 26/02/2010 | 2.3600 | 1,245,000 | – | – | (855,000) | 390,000 | 3 | 26/02/2011 – 25/02/2020 |
| 26/02/2010 | 2.3600 | 1,500,000 | – | – | – | 1,500,000 | 4 | 26/02/2011 – 25/02/2015 |
| 16/11/2010 | 2.1907 | 795,000 | – | – | (270,000) | 525,000 | 13 | 16/11/2011 – 15/11/2020 |
| 04/03/2011 | 1.8920 | 2,780,000 | – | – | (985,000) | 1,795,000 | 36 | 04/03/2012 – 03/03/2021 |
| 04/03/2011 | 1.8920 | 200,000 | – | – | – | 200,000 | 4 | 04/03/2012 – 03/03/2016 |
| 2011 Scheme | | | | | | | | |
| 18/10/2011 | 1.4660 | 8,598,000 | – | – | – | 8,598,000 | 1 | 18/10/2012 – 17/10/2021 |
| 05/03/2012 | 1.4690 | 5,580,000 | – | – | (1,260,000) | 4,320,000 | 51 | 05/03/2013 – 04/03/2022 |
| 05/03/2013 | 1.3960 | 1,450,000 | – | – | (500,000) | 950,000 | 9 | 05/03/2014 – 04/03/2023 |
| 15/01/2014 | 1.1650 | – | 2,980,000 | – | (100,000) | 2,880,000 | 21 | 15/01/2015 – 14/01/2024 |
| | | 39,297,750 | 2,980,000 | (377,000) | (6,340,500) | 35,560,250 | | |

# Directors' Report

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company under the 2001 Scheme and 2011 Scheme (collectively as the Schemes) are as follows:

| Name of director | Options granted for the financial year ended 31 December 2014 | Aggregate options granted since commencement of Schemes to 31 December 2014 | Aggregate options exercised since commencement of Schemes to 31 December 2014 | Aggregate options expired since commencement of Schemes to 31 December 2014 | Aggregate options outstanding as at 31 December 2014 |
|---|---|---|---|---|---|
| **2001 Scheme** | | | | | |
| Olivia Lum Ooi Lin | – | 8,625,000 | (1,875,000) | – | 6,750,000 |
| Teo Kiang Kok | – | 800,000 | (375,000) | – | 425,000 |
| Lee Joo Hai | – | 800,000 | (375,000) | – | 425,000 |
| Gay Chee Cheong | – | 725,000 | (300,000) | – | 425,000 |
| Christopher Murugasu | – | 1,409,375 | (984,375) | – | 425,000 |
| Gary Kee Eng Kwee | – | 700,000 | (100,000) | (600,000) | – |
| Total | – | 13,059,375 | (4,009,375) | (600,000) | 8,450,000 |
| **2011 Scheme** | | | | | |
| Olivia Lum Ooi Lin | – | 8,598,000 | – | – | 8,598,000 |
| Teo Kiang Kok | 50,000 | 150,000 | – | – | 150,000 |
| Lee Joo Hai | 50,000 | 150,000 | – | – | 150,000 |
| Gay Chee Cheong | 50,000 | 150,000 | – | – | 150,000 |
| Christopher Murugasu | 50,000 | 150,000 | – | – | 150,000 |
| Simon Tay | 50,000 | 150,000 | – | – | 150,000 |
| Gary Kee Eng Kwee | 200,000 | 300,000 | – | – | 300,000 |
| Total | 450,000 | 9,648,000 | – | – | 9,648,000 |

Except as disclosed in this report, since the commencement of the Schemes to the end of the financial year:

- No options have been granted to the controlling shareholders of the Company or their associates;
- No participant has been granted 5% or more of the total options available under the Schemes;
- No options have been granted to directors and employees of the holding company and its related corporations under the Schemes;
- No options that entitle the holders of the options to participate, by virtue of such holding, in any share issue of any other corporation have been granted; and
- The exercise price of the options is set at the market price, as defined in the Schemes, at the time of grant. No options have been granted at a discount.

# Directors' Report

**AUDIT COMMITTEE**

The members of the Audit Committee at the date of this report are:

Lee Joo Hai (Chairman), non-executive independent director
Gay Chee Cheong, non-executive independent director
Teo Kiang Kok, non-executive independent director
Lau Wing Tat, non-executive independent director

The members of the Audit Committee, collectively, have expertise and extensive experience in accounting, financial management and business, and are qualified to discharge the Audit Committee's responsibilities.

The primary functions of the Audit Committee are as follows:

1. assists the Board in discharging its statutory responsibilities on financial and accounting matters;

2. reviews the financial and operating results and accounting policies of the Group;

3. reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. reviews the adequacy and effectiveness of the Group's internal control (financial, operational, compliance and information technology) policies and systems established by the management, either carried out internally or with the assistance of any competent third parties;

5. reviews the audit plans and reports of the external and internal auditors and considers the effectiveness of the actions taken by the management on the auditors' recommendations;

6. appraises and reports to the Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

7. reviews the independence of external auditors annually and considers the appointment or re-appointment of external auditors, reviews the level of audit and non-audit fees and matters relating to the resignation or removal of the auditors and approves the remuneration and terms of engagement of the external auditors; and

8. reviews interested person transactions, as defined in the SGX-ST's Listing Manual.

The Audit Committee has held 4 meetings since the last directors' report. In fulfilling its responsibilities, the Audit Committee receives regular reports from the management. The Audit Committee has full access to and co-operation of the management and meets with KPMG LLP in private at least once a year, and more frequently if necessary.

The Audit Committee has explicit authority within the scope of its responsibilities to seek any information it requires or investigate any matter within its terms of reference. The Audit Committee has adequate resources to enable it to discharge its responsibilities properly.

# Directors' Report

The Board has put in place a confidential communication programme as endorsed by the Audit Committee. Employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up actions. The details of the confidential communication policies and arrangements have been made available to all employees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712, 715 and 716 of the SGX-ST's Listing Manual.

**AUDITORS**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

**Olivia Lum Ooi Lin**
*Executive Chairman and Group CEO*

**Teo Kiang Kok**
*Director*

26 March 2015

# Statement by Directors

In our opinion:

(a) the financial statements set out on pages 51 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

**Olivia Lum Ooi Lin**
*Executive Chairman and Group CEO*

**Teo Kiang Kok**
*Director*

26 March 2015

# Independent Auditors' Report

**Members of the Company**
**Hyflux Ltd**

**Report on the financial statements**

We have audited the accompanying financial statements of Hyflux Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 125.

*Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

**Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**
26 March 2015

# Statements of Financial Position

**As at 31 December 2014**

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 31 December 2014 $'000 | 31 December 2013 $'000 | 31 December 2014 $'000 | 31 December 2013 $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 115,860 | 180,439 | – | – |
| Intangible assets | 5 | 28,093 | 34,247 | – | – |
| Intangible assets arising from service concession arrangements | 6 | 992,989 | 800,185 | – | – |
| Investments in subsidiaries | 7 | – | – | 181,198 | 176,790 |
| Investments in joint ventures | 8 | 233,846 | 237,284 | – | 3,125 |
| Investments in associates | 9 | 100,335 | 105,118 | 14,983 | 14,535 |
| Other investments | 10 | 18,562 | 18,022 | 630 | 630 |
| Financial receivables | 11 | 384,670 | 383,250 | – | – |
| Trade and other receivables | 12 | 19,041 | 15,139 | 791,173 | 526,963 |
| Deferred tax assets | 13 | 9,505 | 1,951 | – | – |
| **Total non-current assets** | | 1,902,901 | 1,775,635 | 987,984 | 722,043 |
| **Current assets** | | | | | |
| Gross amounts due for contract work | 14 | 94,410 | 96,987 | – | – |
| Inventories | 15 | 44,181 | 34,643 | – | – |
| Financial receivables | 11 | 10,558 | 11,702 | – | – |
| Trade and other receivables | 12 | 241,284 | 233,593 | 769,352 | 719,593 |
| Cash and cash equivalents | 16 | 444,428 | 243,945 | 203,243 | 68,576 |
| Asset held for sale | | 3,953 | – | – | – |
| **Total current assets** | | 838,814 | 620,870 | 972,595 | 788,169 |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 229,879 | 218,931 | 70,364 | 24,320 |
| Loans and borrowings | 18 | 153,464 | 128,999 | 92,257 | 65,957 |
| Tax payable | | 7,285 | 11,928 | 3,699 | 7,098 |
| **Total current liabilities** | | 390,628 | 359,858 | 166,320 | 97,375 |
| **Net current assets** | | 448,186 | 261,012 | 806,275 | 690,794 |
| **Non-current liabilities** | | | | | |
| Trade and other payables - derivatives | 17 | 29,275 | 7,199 | – | – |
| Loans and borrowings | 18 | 979,331 | 1,137,980 | 618,792 | 737,452 |
| Deferred tax liabilities | 13 | 493 | 5,176 | – | – |
| **Total non-current liabilities** | | 1,009,099 | 1,150,355 | 618,792 | 737,452 |
| **Net assets** | | 1,341,988 | 886,292 | 1,175,467 | 675,385 |

The accompanying notes form an integral part of these financial statements.

# Statements of Financial Position

**As at 31 December 2014**

| | Note | Group 31 December 2014 $'000 | Group 31 December 2013 $'000 | Company 31 December 2014 $'000 | Company 31 December 2013 $'000 |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Share capital | | 607,258 | 606,887 | 607,258 | 606,887 |
| Perpetual capital securities | | 469,096 | – | 469,096 | – |
| Reserve for own shares | | (61,936) | (51,484) | (61,936) | (51,484) |
| Capital reserve | | 10,043 | 7,560 | 5,402 | 2,919 |
| Foreign currency translation reserve | | 14,029 | (101) | – | – |
| Hedging reserve | | (29,728) | (4,751) | – | – |
| Employees' share option reserve | | 24,755 | 24,186 | 24,755 | 24,186 |
| Retained earnings | | 303,664 | 300,277 | 130,892 | 92,877 |
| **Total equity attributable to owners of the Company** | | 1,337,181 | 882,574 | 1,175,467 | 675,385 |
| **Non-controlling interests** | | 4,807 | 3,718 | – | – |
| **Total equity** | 19 | 1,341,988 | 886,292 | 1,175,467 | 675,385 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Income Statement

**Year ended 31 December 2014**

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Revenue | 23 | 321,394 | 535,790 |
| Other income | | 169,999 | 10,224 |
| Changes in inventories of finished goods and work-in-progress | | 7,046 | 8,501 |
| Raw materials and consumables used and subcontractors' cost | | (170,981) | (275,770) |
| Staff costs | | (75,183) | (73,110) |
| Depreciation, amortisation and impairment | | (32,580) | (42,108) |
| Other expenses | | (120,493) | (79,034) |
| Finance costs | 24 | (34,829) | (27,519) |
| Share of losses of associates and joint ventures, net of income tax | | (11,313) | (5,351) |
| **Profit before income tax** | 25 | 53,060 | 51,623 |
| Tax credits/(expenses) | 26 | 5,753 | (8,727) |
| **Profit for the year** | | 58,813 | 42,896 |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the Company | | 57,469 | 44,026 |
| Non-controlling interests | | 1,344 | (1,130) |
| **Profit for the year** | | 58,813 | 42,896 |
| | | | |
| **Earnings per share (cents)** | | | |
| Basic earnings per share | 27 | 1.66 | 2.42 |
| Diluted earnings per share | 27 | 1.66 | 2.42 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

**Year ended 31 December 2014**

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **Profit for the year** | 58,813 | 42,896 |
| | | |
| **Other comprehensive income:** | | |
| Items that are or may be reclassified subsequently to profit or loss | | |
| Foreign currency translation differences for foreign operations | 10,135 | 15,257 |
| Share of other comprehensive income of associates and joint ventures | 4,367 | 18,405 |
| Effective portion of changes in fair value of cash flow hedges | (24,546) | (883) |
| Net change in fair value of cash flow hedges transferred to profit or loss | (915) | (6,065) |
| Effect of changes in control of consolidated entities | – | (1,142) |
| Liquidation of subsidiaries | – | 4 |
| Realisation of foreign currency translation to profit or loss | (163) | – |
| **Other comprehensive income for the year, net of income tax** | (11,122) | 25,576 |
| **Total comprehensive income for the year** | 47,691 | 68,472 |
| | | |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | 46,622 | 68,998 |
| Non-controlling interests | 1,069 | (526) |
| **Total comprehensive income for the year** | 47,691 | 68,472 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

**Year ended 31 December 2014**

| Group | Share capital $'000 | Perpetual capital securities $'000 | Reserve for own shares $'000 | Capital reserve $'000 | Foreign currency translation reserve $'000 | Hedging reserve $'000 | Employees' share option reserve $'000 | Retained earnings $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2014 | 606,887 | – | (51,484) | 7,560 | (101) | (4,751) | 24,186 | 300,277 | 882,574 | 3,718 | 886,292 |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | 57,469 | 57,469 | 1,344 | 58,813 |
| ***Other comprehensive income*** | | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | – | – | – | – | 10,410 | – | – | – | 10,410 | (275) | 10,135 |
| Realisation of foreign currency translation to profit or loss | – | – | – | – | (163) | – | – | – | (163) | – | (163) |
| Effective portion of changes in fair value of cash flow hedges | – | – | – | – | – | (24,546) | – | – | (24,546) | – | (24,546) |
| Net change in fair value of cash flow hedges transferred to profit or loss | – | – | – | – | – | (915) | – | – | (915) | – | (915) |
| Share of other comprehensive income of associates and joint ventures | – | – | – | – | 3,883 | 484 | – | – | 4,367 | – | 4,367 |
| Total comprehensive income for the year | – | – | – | – | 14,130 | (24,977) | – | 57,469 | 46,622 | 1,069 | 47,691 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

**Year ended 31 December 2014**

| Group | Note | Share capital $'000 | Perpetual capital securities $'000 | Reserve for own shares $'000 | Capital reserve $'000 | Foreign currency translation reserve $'000 | Hedging reserve $'000 | Employees' share option reserve $'000 | Retained earnings $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Transactions with owners, recognised directly in equity*** | | | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | | | |
| Dividends paid | 19 | – | – | – | – | – | – | – | (51,579) | (51,579) | – | (51,579) |
| Issue of perpetual capital securities | | – | 469,096 | – | – | – | – | – | – | 469,096 | – | 469,096 |
| Issue of shares for cash under Employees' Share Option Schemes | | 371 | – | – | – | – | – | – | – | 371 | – | 371 |
| Own shares acquired | | – | – | (10,452) | – | – | – | – | – | (10,452) | – | (10,452) |
| Value of employee services received for issue of share options | | – | – | – | – | – | – | 569 | – | 569 | – | 569 |
| Transfer to capital reserve | | – | – | – | 2,483 | – | – | – | (2,483) | – | – | – |
| | | 371 | 469,096 | (10,452) | 2,483 | – | – | 569 | (54,062) | 408,005 | – | 408,005 |
| **Changes in ownership interest in subsidiaries** | | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | | – | – | – | – | – | – | – | (20) | (20) | 20 | – |
| **Total transactions with owners** | | 371 | 469,096 | (10,452) | 2,483 | – | – | 569 | (54,082) | 407,985 | 20 | 408,005 |
| At 31 December 2014 | | 607,258 | 469,096 | (61,936) | 10,043 | 14,029 | (29,728) | 24,755 | 303,664 | 1,337,181 | 4,807 | 1,341,988 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

**Year ended 31 December 2014**

| Group | Share capital $'000 | Reserve for own shares $'000 | Capital reserve $'000 | Foreign currency translation reserve $'000 | Hedging reserve $'000 | Employees' share option reserve $'000 | Retained earnings $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2013 | 605,196 | (51,484) | 9,094 | (30,480) | 656 | 22,457 | 305,154 | 860,593 | 16,436 | 877,029 |
| **Total comprehensive income for the year** | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 44,026 | 44,026 | (1,130) | 42,896 |
| ***Other comprehensive income*** | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | – | – | – | 14,321 | – | – | – | 14,321 | 936 | 15,257 |
| Effect of changes in control of consolidated entities | – | – | – | (810) | – | – | – | (810) | (332) | (1,142) |
| Liquidation of subsidiaries | – | – | – | 4 | – | – | – | 4 | – | 4 |
| Effective portion of changes in fair value of cash flow hedges | – | – | – | – | (883) | – | – | (883) | – | (883) |
| Net change in fair value of cash flow hedges transferred to profit or loss | – | – | – | – | (6,065) | – | – | (6,065) | – | (6,065) |
| Share of reserves of joint ventures | – | – | (20) | – | – | – | 20 | – | – | – |
| Share of other comprehensive income of associates and joint ventures | – | – | – | 16,864 | 1,541 | – | – | 18,405 | – | 18,405 |
| Total comprehensive income for the year | – | – | (20) | 30,379 | (5,407) | – | 44,046 | 68,998 | (526) | 68,472 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

**Year ended 31 December 2014**

| | Note | Share capital $'000 | Reserve for own shares $'000 | Capital reserve $'000 | Foreign currency translation reserve $'000 | Hedging reserve $'000 | Employees' share option reserve $'000 | Retained earnings $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | | |
| ***Transactions with owners, recognised directly in equity*** | | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | | |
| Dividends paid | 19 | – | – | – | – | – | – | (50,437) | (50,437) | – | (50,437) |
| Issue of shares for cash under Employees' Share Option Schemes | | 1,691 | – | – | – | – | – | – | 1,691 | – | 1,691 |
| Value of employee services received for issue of share options | | – | – | – | – | – | 1,729 | – | 1,729 | – | 1,729 |
| Transfer to capital reserve | | – | – | 1,061 | – | – | – | (1,061) | – | – | – |
| | | 1,691 | – | 1,061 | – | – | 1,729 | (51,498) | (47,017) | – | (47,017) |
| **Changes in ownership interest in subsidiaries** | | | | | | | | | | | |
| Effect of changes in control of consolidated entries | | – | – | (2,575) | – | – | – | 2,575 | – | (12,192) | (12,192) |
| **Total transactions with owners** | | 1,691 | – | (1,514) | – | – | 1,729 | (48,923) | (47,017) | (12,192) | (59,209) |
| At 31 December 2013 | | 606,887 | (51,484) | 7,560 | (101) | (4,751) | 24,186 | 300,277 | 882,574 | 3,718 | 886,292 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

**Year ended 31 December 2014**

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 53,060 | 51,623 |
| Adjustments for: | | | |
| Allowance for inventory obsolescence | 15 | 989 | 109 |
| Amortisation of transaction costs related to borrowings | | 582 | 1,680 |
| Depreciation, amortisation and impairment | | 32,580 | 42,108 |
| Employees' share option expense | | 569 | 1,729 |
| Finance costs | | 34,829 | 27,519 |
| Financial receivables written off | | 2,886 | 2,617 |
| Gain on disposal of subsidiaries | 22 | – | (810) |
| Gain on disposal of an associate and a joint venture | | (54,118) | – |
| (Gain)/loss on sale of property, plant and equipment | | (103,684) | 39 |
| Impairment of trade and other receivables | | 28,069 | 8,441 |
| Intangible assets arising from service concession arrangements written off | | 990 | – |
| Interest income | | (4,047) | (2,318) |
| Loss/(gain) on liquidation of subsidiaries | | 98 | (3) |
| Property, plant and equipment written off | | 220 | 10 |
| Share of losses of associates and joint ventures, net of income tax | | 11,313 | 5,351 |
| | | 4,336 | 138,095 |
| Change in inventories | | (10,534) | (4,620) |
| Change in gross amounts due for contract work | | 2,577 | 13,175 |
| Change in trade and other receivables | | (20,252) | (36,450) |
| Change in trade and other payables | | 8,836 | (64,573) |
| **Cash (used in)/from operating activities before service concession arrangement projects** | | (15,037) | 45,627 |
| Change in financial receivables from service concession arrangements | | (3,163) | (33,369) |
| Change in intangible assets arising from service concession arrangements | | (198,916) | (427,848) |
| **Cash used in operating activities after service concession arrangement projects** | | (217,116) | (415,590) |
| Income tax paid | | (9,017) | (6,841) |
| **Net cash used in operating activities** | | (226,133) | (422,431) |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

**Year ended 31 December 2014**

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets | | (1,945) | (6,762) |
| Acquisition of property, plant and equipment | | (11,855) | (6,704) |
| Acquisition of other investments | | (515) | – |
| Additional investments in an associate | | (8,589) | – |
| Additional investment in joint ventures | | (206) | (964) |
| Deposits received | | 5,565 | – |
| Dividends received from associates | | 6,238 | 1,620 |
| Effect of changes in control of consolidated entities | 22 | – | (14,714) |
| Interest received | | 3,287 | 1,204 |
| Loans to a joint venture | | (18,660) | – |
| Net cash outflow from liquidation of subsidiaries | | – | (167) |
| Net proceeds from disposal of an associate and a joint venture | | 63,432 | – |
| Proceeds from sale of property, plant and equipment | | 169,536 | 70 |
| **Net cash from/(used in) investing activities** | | 206,288 | (26,417) |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (51,579) | (50,437) |
| Dividends paid to non-controlling interests of subsidiaries | | – | (1,048) |
| Decrease in deposits pledged | | 1,832 | 4,964 |
| Interest paid | | (51,227) | (38,737) |
| Net proceeds from perpetual capital securities issued | | 469,096 | – |
| Proceeds from borrowings | | 66,981 | 704,807 |
| Proceeds from exercise of share options | | 371 | 1,691 |
| Purchases of treasury shares | | (10,452) | – |
| Repayment of borrowings | | (214,834) | (453,204) |
| **Net cash from financing activities** | | 210,188 | 168,036 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 190,343 | (280,812) |
| Cash and cash equivalents at 1 January | | 182,585 | 449,015 |
| Effect of exchange rate fluctuations on cash held | | 9,116 | 14,382 |
| **Cash and cash equivalents at 31 December** | 16 | 382,044 | 182,585 |

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 March 2015.

## 1 DOMICILE AND ACTIVITIES

Hyflux Ltd (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949.

The financial statements of the Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates and joint ventures.

The principal activities of the Company are those relating to investment holding.

The principal activities of the subsidiaries comprise the following:

**Water**

– Seawater desalination, raw water purification, wastewater cleaning, water recycling, water reclamation and ultra pure water production for municipal and industrial clients as well as home consumer filtration and purification products; and
– Design, construction and sale of water treatment plants, seawater desalination plants, wastewater treatment plants and water recycling plants under service concession arrangements.

**Energy**

– Design, construction and operation of power plants and trading in the electricity markets.

## 2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (SGD), which is the Company's functional currency. Other significant entities within the Group have Chinese Renminbi, SGD, US dollars and Algerian Dinar as their functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

# Notes to the Financial Statements

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – key assumptions used in discounted cash flow projections, residual values and useful lives of property, plant and equipment;
- Note 5 – useful lives and recoverability of intangible assets;
- Note 6 and 29 – fair value measurement of intangible assets arising from service concession arrangements;
- Note 10 – valuation of other investments;
- Note 21 – recoverability of trade and other receivables and gross amounts due from contract work; and
- Note 33 – contingencies.

2.5 Changes in accounting policies

The Group has adopted all new or revised FRSs and INT FRSs that became mandatory from 1 January 2014. The adoption of these new FRSs and INT FRSs has no significant impact to the Group.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

***Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

# Notes to the Financial Statements

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

***Acquisition of non-controlling interests***

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

***Loss of control***

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as a joint arrangement, an equity-accounted investee, as an available-for-sale financial asset, or as a financial asset at fair value through profit or loss depending on the level of influence retained.

# Notes to the Financial Statements

***Joint arrangements***

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation - when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

- Joint venture - when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates (see notes on Associates below).

***Associates***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of voting power of another entity.

Associates are accounted for using the equity method and are recognised initially at cost. The cost of investments includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

***Accounting for subsidiaries, joint arrangements and associates in the separate financial statements***

Investments in subsidiaries, joint ventures and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

# Notes to the Financial Statements

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss); and qualifying cash flow hedges to the extent the hedge is effective.

***Foreign operations***

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented as equity in the translation reserve.

3.3 Financial instruments

***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

# Notes to the Financial Statements

***Financial assets at fair value through profit or loss***

A financial asset is classified at fair value through profit or loss if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

<u>Loans and receivables</u>

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, including financial receivables arising from service concession arrangements and gross amounts due from contract work.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

<u>Service concession arrangements</u>

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also note 3.5).

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

# Notes to the Financial Statements

***Non-derivative financial liabilities***

The Group initially recognised debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

***Intra-group financial guarantees***

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

***Share capital***

<u>Ordinary shares</u>

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

<u>Preference share capital</u>

Preference share capital is classified as equity as it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Board of Directors.

<u>Perpetual capital securities</u>

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

# Notes to the Financial Statements

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

***Derivative financial instruments, including hedge accounting***

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

# Notes to the Financial Statements

3.4 Property, plant and equipment

***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, when the Group has an obligation to move the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/expenses in profit or loss.

***Subsequent costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

***Depreciation***

Depreciation is based on the cost of an asset, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Construction-in-progress is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

# Notes to the Financial Statements

The estimated useful lives for the current and comparative years are as follows:

| | | |
|---|---|---|
| Plant and machinery | – | 4 to 10 years |
| Motor vehicles | – | 4 to 5 years |
| Computers | – | 1 to 5 years |
| Office equipment | – | 4 to 5 years |
| Leasehold properties and improvements | – | 4 to 5 years or over the lease period ranging from 5 to 30 years |
| Furniture and fittings | – | 4 to 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets

***Goodwill***

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

<u>Subsequent measurement</u>

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

***Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

# Notes to the Financial Statements

***Service concession arrangements***

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

***Other intangible assets***

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

***Amortisation***

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

| | | |
|---|---|---|
| Intellectual property rights | – | 10 years |
| Capitalised development costs | – | 8 years |
| Licensing fees | – | 10 to 20 years |
| Service concession arrangements | – | 20 to 30 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge for the use of the infrastructure to the end of the concession period.

3.6 Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

# Notes to the Financial Statements

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, the use of standard costing includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Gross amounts due for contract work

Gross amounts due for contract work represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Gross amounts due for contract work are presented as part of assets in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, the difference is presented as part of trade and other payables in the statement of financial position.

3.9 Impairment

***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and indications that a debtor will enter bankruptcy.

<u>Loans and receivables</u>

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

# Notes to the Financial Statements

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an associate or a joint arrangement is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the section below. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been favourable change in the estimates used to determine the recoverable amount.

***Non-financial assets***

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

# Notes to the Financial Statements

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate and joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.10 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale, and subsequent gains or losses on remeasurement, are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale.

3.11 Employee benefits

***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

***Share-based payment transactions***

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

# Notes to the Financial Statements

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 Revenue

***Construction revenue - Construction contracts and sale of plants under service concession arrangements***

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. Net revenue from the sale of plants under service concession arrangements previously not recognised as construction revenue under the service concession arrangements is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and the amount of revenue can be measured reliably.

Revenue relating to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contract (see above). Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

***Operating and maintenance income***

Revenue from the provision of operating and maintenance services is recognised when the services are rendered.

# Notes to the Financial Statements

***Sale of goods***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue as the sales are recognised.

Transfers of risks and rewards occur upon delivery to customers.

***Finance income***

Finance income represents the interest income on the financial receivable arising from a service concession arrangement, and is recognised in profit or loss using the effective interest method.

***Others***

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income from funds invested (including available-for-sale financial assets) is recognised as it accrues as other income in profit or loss, using the effective interest method.

3.14 Government grants

Government grants are deducted against the carrying amounts of the assets when there is reasonable assurance that government grants will be received to compensate the Group for the cost of an asset and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income.

3.15 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

# Notes to the Financial Statements

3.16 Finance costs

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

# Notes to the Financial Statements

3.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and directors. Share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the share options (i.e. they are 'in the money'). Both basic and diluted EPS of the Group are adjusted for the effect of any provision for dividends on preference shares and perpetual capital securities.

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

# Notes to the Financial Statements

## 4 PROPERTY, PLANT AND EQUIPMENT

| Group | Plant and machinery $'000 | Motor vehicles $'000 | Computers $'000 | Office equipment $'000 | Leasehold properties and improvements $'000 | Furniture and fittings $'000 | Construction-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2013 | 44,461 | 2,398 | 13,378 | 3,367 | 140,061 | 4,016 | 55,950 | 263,631 |
| Additions | 191 | 223 | 921 | 584 | 2,271 | 229 | 1,550 | 5,969 |
| Transfers | 2,292 | – | – | 7 | 631 | 11 | (2,941) | – |
| Disposals | (348) | (256) | (217) | (6) | (19) | (9) | – | (855) |
| Effect of changes in control of consolidated entities | (1,000) | (210) | (142) | – | (6,268) | (128) | (173) | (7,921) |
| Effect of movements in exchange rates | 1,081 | 100 | 116 | 83 | 2,554 | 39 | 2,777 | 6,750 |
| At 31 December 2013 | 46,677 | 2,255 | 14,056 | 4,035 | 139,230 | 4,158 | 57,163 | 267,574 |
| Additions | 904 | 111 | 1,385 | 190 | 3,361 | 164 | 7,444 | 13,559 |
| Transfers | 18 | – | – | – | 294 | – | (312) | – |
| Reclass to asset held for sale | – | – | – | – | (6,328) | – | – | (6,328) |
| Disposals | (1,536) | (127) | (429) | (381) | (61,591) | (408) | – | (64,472) |
| Write off | – | – | – | – | – | – | (220) | (220) |
| Effect of movements in exchange rates | 768 | 27 | 78 | 21 | 1,527 | 12 | 2,063 | 4,496 |
| At 31 December 2014 | 46,831 | 2,266 | 15,090 | 3,865 | 76,493 | 3,926 | 66,138 | 214,609 |
| | | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| At 1 January 2013 | 21,665 | 1,674 | 10,822 | 1,504 | 17,007 | 1,577 | 13,994 | 68,243 |
| Depreciation for the year | 3,813 | 308 | 1,436 | 478 | 5,732 | 643 | – | 12,410 |
| Disposals | (285) | (227) | (190) | (6) | (19) | (9) | – | (736) |
| Impairment loss | – | – | – | – | 2,344 | – | 5,583 | 7,927 |
| Effect of changes in control of consolidated entities | (429) | (130) | (105) | – | (1,022) | (86) | – | (1,772) |
| Effect of movements in exchange rates | 374 | 73 | 93 | 28 | 487 | 38 | (30) | 1,063 |
| At 31 December 2013 | 25,138 | 1,698 | 12,056 | 2,004 | 24,529 | 2,163 | 19,547 | 87,135 |
| Depreciation for the year | 4,194 | 282 | 1,146 | 498 | 4,539 | 585 | – | 11,244 |
| Reclass to asset held for sale | – | – | – | – | (2,375) | – | – | (2,375) |
| Disposals | (1,261) | (97) | (420) | (219) | (5,215) | (351) | – | (7,563) |
| Impairment loss | 3,268 | – | – | – | – | – | 5,762 | 9,030 |
| Effect of movements in exchange rates | 253 | 27 | 68 | 14 | 407 | 7 | 502 | 1,278 |
| At 31 December 2014 | 31,592 | 1,910 | 12,850 | 2,297 | 21,885 | 2,404 | 25,811 | 98,749 |
| | | | | | | | | |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2013 | 22,796 | 724 | 2,556 | 1,863 | 123,054 | 2,439 | 41,956 | 195,388 |
| At 31 December 2013 | 21,539 | 557 | 2,000 | 2,031 | 114,701 | 1,995 | 37,616 | 180,439 |
| At 31 December 2014 | 15,239 | 356 | 2,240 | 1,568 | 54,608 | 1,522 | 40,327 | 115,860 |

# Notes to the Financial Statements

| | Computers $'000 | Furniture and fittings $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| At 1 January 2013, 31 December 2013 and 31 December 2014 | 1,018 | 11 | 1,029 |
| **Accumulated depreciation** | | | |
| At 1 January 2013, 31 December 2013 and 31 December 2014 | 1,018 | 11 | 1,029 |
| **Carrying amounts** | | | |
| At 1 January 2013, 31 December 2013 and 31 December 2014 | – | – | – |

***Estimation of residual values and useful lives of property, plant and equipment***

The Group reviews the useful lives of the property, plant and equipment at the end of each reporting period in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

***Impairment loss***

People's Republic of China (PRC) Industrial CGU
Due to the continuing unfavourable market conditions, the Group has further deferred the production and expected launch date of a new product in the industrial segment to 2016. The Group has assessed the recoverable amount of the related production plant.

The recoverable amount was estimated based on its value in use, assuming that the production line would go live in 2016 using a pre-tax discount rate of 12% (2013: 13%). Based on the assessment, the Group recognised an impairment loss of $5,762,000 (2013: $5,583,000).

Kingdom of Saudi Arabia Industrial CGU
In 2014, following a management review of the business portfolio of a product line in the industrial segment, the Group recognised an impairment loss of $2,014,000 (2013: $2,344,000) in profit or loss based on the recoverable amount determined based upon the fair value less cost to sell method, derived from estimated selling price.

Others
In 2014, the Group recognised an impairment loss of $1,254,000 for plant and machinery in profit or loss based on the recoverable amount determined by way of fair value less cost to sell method. The fair value less cost to sell has been estimated based on indicative quote obtained from a potential buyer.

The fair value measurements for the above impairments were categorised as a Level 3 fair value.

***Sensitivity to changes in assumptions***

Following the above impairments, the recoverable amounts are equal to the respective carrying amounts. Therefore, any adverse movement in a key assumption would lead to further impairment.

# Notes to the Financial Statements

## 5 INTANGIBLE ASSETS

| | Goodwill $'000 | Intellectual property rights $'000 | Development costs $'000 | Licensing fees $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1 January 2013 | 13,042 | 4,659 | 49,823 | 4,260 | 71,784 |
| Additions | – | 40 | – | – | 40 |
| Additions – internally developed | – | – | 8,578 | – | 8,578 |
| Effect of movements in exchange rates | – | 27 | 29 | 137 | 193 |
| At 31 December 2013 | 13,042 | 4,726 | 58,430 | 4,397 | 80,595 |
| Additions | – | 22 | – | – | 22 |
| Additions – internally developed | – | – | 700 | – | 700 |
| Disposal | – | (15) | – | – | (15) |
| Effect of movements in exchange rates | – | (15) | (14) | 167 | 138 |
| At 31 December 2014 | 13,042 | 4,718 | 59,116 | 4,564 | 81,440 |
| **Accumulated amortisation and impairment losses** | | | | | |
| At 1 January 2013 | 11,457 | 1,094 | 25,377 | 1,134 | 39,062 |
| Amortisation for the year | – | 220 | 3,572 | 309 | 4,101 |
| Impairment loss | 1,585 | 131 | 1,359 | – | 3,075 |
| Effect of movements in exchange rates | – | 4 | 54 | 52 | 110 |
| At 31 December 2013 | 13,042 | 1,449 | 30,362 | 1,495 | 46,348 |
| Amortisation for the year | – | 221 | 3,548 | 311 | 4,080 |
| Disposal | – | (1) | – | – | (1) |
| Impairment loss | – | – | 2,842 | – | 2,842 |
| Effect of movements in exchange rates | – | 5 | – | 73 | 78 |
| At 31 December 2014 | 13,042 | 1,674 | 36,752 | 1,879 | 53,347 |
| **Carrying amounts** | | | | | |
| At 1 January 2013 | 1,585 | 3,565 | 24,446 | 3,126 | 32,722 |
| At 31 December 2013 | – | 3,277 | 28,068 | 2,902 | 34,247 |
| At 31 December 2014 | – | 3,044 | 22,364 | 2,685 | 28,093 |

# Notes to the Financial Statements

***Capitalisation of development costs***

Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility has been confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

***Recoverability of development costs***

The recoverable amounts of the cash-generating units are estimated based on their value in use. When value in use calculations are undertaken, management estimates the expected future cash flows from the cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts were estimated to be higher than the carrying amounts of the units, and no impairment was required, except for the amounts discussed below.

***Impairment loss on development costs***

Annually, management performs specific review on the development projects to identify projects that no longer meet the recognition criteria set forth in the FRS.

Accordingly, in 2014, taking into consideration the changes in the Group's business plan, an impairment loss of $2,842,000 (2013: $1,359,000) was recognised in profit or loss.

***Estimation of useful lives of development costs***

Significant judgement is required in estimating the useful lives of development projects, which are affected by various factors, such as technological developments.

***Impairment testing for cash-generating units (CGUs) containing goodwill***

Goodwill was previously allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill was monitored for internal management purposes, which was not higher than the Group's operating segments as reported in note 28. The aggregate carrying amount of goodwill allocated to Kingdom of Saudi Arabia (KSA) Industrial CGU was $1,585,000. In 2013, following a management review of the business portfolio, impairment losses of $1,585,000 in relation to KSA Industrial CGU was recognised in profit or loss.

The recoverable amount of the KSA Industrial CGU was determined based upon the fair value less cost to sell method, estimated based on indicative quotes obtained from potential buyers. The fair value measurement was categorised as Level 3 fair value.

# Notes to the Financial Statements

## 6 INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS

| | $'000 |
|---|---|
| **Group** | |
| **Cost** | |
| At 1 January 2013 | 226,485 |
| Additions | 575,071 |
| Effect of movements in exchange rates | 424 |
| At 31 December 2013 | 801,980 |
| Additions | 198,916 |
| Write-off | (990) |
| Effect of movements in exchange rates | 262 |
| At 31 December 2014 | 1,000,168 |
| | |
| **Accumulated amortisation** | |
| At 1 January 2013 | – |
| Amortisation for the year | 1,795 |
| At 31 December 2013 | 1,795 |
| Amortisation for the year | 5,384 |
| At 31 December 2014 | 7,179 |
| | |
| **Carrying amounts** | |
| At 1 January 2013 | 226,485 |
| At 31 December 2013 | 800,185 |
| At 31 December 2014 | 992,989 |

***Singapore***

In 2011, the Group, through a service concession arrangement with PUB, the Singapore's national water agency (the grantor), commenced construction of a seawater desalination plant and a power generation facility (collectively "the plants") in Tuas, Singapore.

Under the service concession arrangement, the Group is responsible for the construction of the plants. Upon completion of the construction, the Group is responsible for operating the plants and sale of desalinated water to PUB, the offtaker. The power generation facility will supply electricity to the desalination plant and any excess electricity generated from the power generation plant will be sold to the National Electricity Market of Singapore. The concession period is 25 years.

During the concession period, the Group receives guaranteed minimum annual payments from PUB. These guaranteed minimum annual payments are recognised as financial receivables to the extent that the Group has contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair value.

Intangible assets arising from service concession arrangements represent the right to operate the plants and to sell the water to the offtaker and electricity to the national grid.

The service concession agreement does not contain a renewal option. Subject to the terms and conditions of the service concession arrangement, the Group and PUB have the right to terminate the agreement. At the end of the concession period, the title to the plants will be transferred to PUB.

# Notes to the Financial Statements

Amortisation of the intangible asset had commenced in 2013 when construction of the seawater desalination plant was completed.

Included in the carrying amount was capitalised net borrowing costs related to the construction of the plants amounting to $17,522,000 (2013: $11,945,000), with a capitalisation rate of 3.1% (2013: 2.1%).

***PRC***

Additionally, the Group owns water plants in PRC, including water treatment plants (WTPs) and wastewater treatment plants (WWTPs), through the special purpose companies (SPCs) incorporated in PRC. The principal activities of the SPCs are development and operation of WTPs and WWTPs, as well as sales of treated and recycled water. Each of these SPCs has entered into service concession arrangements with the respective local municipals (the grantor), via either Transfer-Operate-Transfer (TOT) or Build-Operate-Transfer (BOT) arrangements.

Under the TOT arrangements, the rights of use of the water plants were transferred to the Group and the Group is responsible for any upgrading services to bring the water plants into proper working conditions. Under the BOT arrangements, the Group is responsible for the construction of the water plants. Upon completion of the construction, the Group is responsible for operating the water plants and sale of the treated and recycled water to the industrial or domestic customers. The concession periods range from 20 years to 30 years.

During the concession period, the Group received the right to charge the offtakers for the sale of water. Additionally, some of the service concession arrangements provide the Group a guaranteed minimum annual payment for the initial years of the concession period, ranging from 3 years to 30 years. These guaranteed minimum annual payments are recognised as financial receivables to the extent that the Group has contractual rights under the concession arrangements (see note 11). The financial receivables are measured on initial recognition at their fair value.

Intangible assets arising from service concession arrangements represent the right to operate the water plants and to sell the water to the offtakers.

Subject to the terms and conditions of the service concession arrangement, the Group and grantors have the right to terminate the agreement. At the end of the concession period, the water plants will be transferred to the grantors.

During the year, the Group recorded the following construction revenue, representing the fair value of the construction services provided in respect of its service concession arrangements:

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Construction revenue arising from service concession arrangements | 187,234 | 432,593 |

# Notes to the Financial Statements

## 7 INVESTMENTS IN SUBSIDIARIES

| | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|
| Unquoted equity securities, at cost | 169,931 | 163,381 |
| Impairment losses | (13,242) | (11,100) |
| | 156,689 | 152,281 |
| Loans to subsidiaries | 24,509 | 24,509 |
| | 181,198 | 176,790 |

Loans to subsidiaries of $24,509,000 as at 31 December 2013 and 2014 are unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As these balances are, in substance, part of the Company's net investments in the subsidiaries, they are stated at cost less impairment losses, if any.

In 2014 and 2013, the Company has assessed the recoverable amount of its investments in subsidiaries that have suffered continual operating losses. The recoverable amount was estimated based on value in use.

When value in use calculations are undertaken, management estimates the expected future cash flows from the cash-generating unit and whether it is reasonably possible that the financial performance for its subsidiaries would be in a continual operating losses position. The fair value measurement was categorised as a Level 3 fair value.

Details of major subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Ownership interest 2014 % | Ownership interest 2013 % |
|---|---|---|---|
| **Held by the Company** | | | |
| Hydrochem (S) Pte Ltd | Singapore | 100 | 100 |
| Hyflux Membrane Manufacturing (S) Pte. Ltd. | Singapore | 100 | 100 |
| SinoSpring Utility Ltd | British Virgin Islands | 100 | 100 |
| Spring China Utility Ltd | British Virgin Islands | 100 | 100 |
| TuaSpring Pte Ltd | Singapore | 100 | 100 |
| Hyflux Engineering Pte Ltd | Singapore | 100 | 100 |
| Hyflux Innovation Centre Pte Ltd | Singapore | 100 | 100 |
| **Held through subsidiaries** | | | |
| Hydrochem Engineering (Shanghai) Co., Ltd | People's Republic of China (PRC) | 100 | 100 |
| Hyflux Hi-tech Product (Yangzhou) Co., Ltd | PRC | 100 | 100 |
| Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd | PRC | 100 | 100 |
| Hyflux Engineering (Shanghai) Co., Ltd | PRC | 100 | 100 |
| Sinolac (Huludao) Biotech Co., Ltd | PRC | 100 | 100 |
| Hyflux-TJSB Algeria SPA | Algeria | 51 | 51 |
| Hyflux Engineering Algeria EURL | Algeria | 100 | 100 |

# Notes to the Financial Statements

KPMG LLP, Singapore is the auditor of all significant Singapore-incorporated subsidiaries. Guerza Rafik Expert Comptable G.R.E.C. is the statutory auditor of Hyflux Engineering Algeria EURL, a significant foreign-incorporated subsidiary.

For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets (including intangible assets arising from service concession arrangements) represent 20% or more of the Group's consolidated net tangible assets, or, if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

As at 31 December 2014 and 2013, non-controlling interests are considered not material to the Group's net assets and profits for the year.

## 8 INVESTMENTS IN JOINT VENTURES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Unquoted equity securities | 233,846 | 237,284 | – | 3,125 |

Details of major joint ventures are as follows:

| Name of joint venture | Country of incorporation | Ownership interest | |
|---|---|---|---|
| | | **2014** | **2013** |
| | | **%** | **%** |
| **Held by the Company** | | | |
| Hyflux Marmon Development Pte. Ltd. | Singapore | –* | 50 |
| **Held through subsidiaries** | | | |
| Galaxy NewSpring Pte. Ltd. | Singapore | 50 | 50 |
| H.J. NewSpring Limited | Hong Kong | 50 | 50 |

** disposed of during the year.*

All the major joint arrangements held by the Company or through its subsidiaries are structured as separate vehicles and provide the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in these joint arrangements as joint ventures. They are accounted for using the equity method.

KPMG LLP, Singapore is the auditor of the Singapore-incorporated joint ventures. For this purpose, a joint venture is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets (including intangible assets arising from service concession arrangements) represent 20% or more of the Group's consolidated net tangible assets, or, if the Group's share of its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

# Notes to the Financial Statements

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint ventures, which is accounted for using equity method.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Galaxy NewSpring Pte. Ltd** | **H.J. NewSpring Limited** | **Galaxy NewSpring Pte. Ltd** | **H.J. NewSpring Limited** |
| **Place of business** | **PRC** | **PRC** | **PRC** | **PRC** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Non-current assets | 587,165 | 195,981 | 571,477 | 193,926 |
| Current assets (including cash and cash equivalents amounting to $48,890,000 (2013: $60,407,000)) | 89,065 | 23,506 | 99,317 | 17,709 |
| Non-current liabilities | (186,291) | (122,681) | (186,667) | (108,636) |
| Current liabilities (including trade and other payables amounting to $100,068,000 (2013: $100,058,000)) | (86,357) | (33,380) | (87,568) | (27,177) |
| **Net assets** | 403,582 | 63,426 | 396,559 | 75,822 |
| Group's 50% share of net assets and carrying amounts | 201,791 | 31,713 | 198,279 | 37,911 |
| Revenue | 45,205 | 20,029 | 43,281 | 24,153 |
| Depreciation and amortisation | (10,924) | (3,288) | (10,602) | (2,369) |
| Interest income | 113 | 45 | 124 | 61 |
| Interest expense | (5,444) | (8,019) | (6,210) | (8,118) |
| Income tax expense | (1,140) | – | (2,100) | – |
| Loss for the year | (7,729) | (15,395) | (3,404) | (2,718) |
| Other comprehensive income | 14,752 | 1,879 | 24,526 | 3,346 |
| **Total comprehensive income** | 7,023 | (13,516) | 21,122 | 628 |
| Group's 50% share of loss | (3,864) | (7,698) | (1,702) | (1,359) |
| Group's 50% share of total comprehensive income | 3,511 | (6,758) | 10,561 | 314 |

The aggregate financial information of the other joint ventures, which are regarded as individually immaterial, are as follows:

| | 2014 | 2013 |
|---|---|---|
| | **$'000** | **$'000** |
| Carrying amount of interests in joint ventures | 342 | 1,094 |
| Share of: | | |
| - (Loss)/profit from continuing operations | (44) | 56 |
| - Other comprehensive income | – | 1 |
| Total comprehensive income | (44) | 57 |

The Group's share of contingent liabilities in respect of bank guarantees amounted to $113,363,000 (2013: $116,305,000).

# Notes to the Financial Statements

## 9 INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Unquoted equity securities | 100,335 | 105,118 | 14,983 | 14,535 |

Unquoted equity securities of the Group with a carrying amount of $89,404,000 (2013: $84,254,000) have been pledged as collateral for banking facilities granted to the associates.

Details of major associates are as follows:

| Name of associate | Country of incorporation | Ownership interest | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | % | % |
| **Held by the Company** | | | |
| SingSpring Trust | Singapore | 30 | 30 |
| **Held through subsidiaries** | | | |
| Ningxia Hypow Bio-Technology Co., Ltd | PRC | 25 | 25 |
| Tlemcen Desalination Investment Company SAS | France | 30 | 30 |
| Tahlyat Myah Magtaa SPA | Algeria | 47 | 47 |
| Marmon Hyflux Investments Pte Ltd | Singapore | –* | 49 |

** disposed of during the year.*

None of the associates is considered significant. For this purpose, an associate is considered significant as defined under the SGX-ST's Listing Manual if the Group's share of its net tangible assets (including intangible assets arising from service concession arrangements) represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The aggregate financial information of the associates, which are individually immaterial, are as follows:

| | 2014 | 2013 |
|---|---|---|
| | $'000 | $'000 |
| Carrying amount of interests in associates | 100,335 | 105,118 |
| Share of: | | |
| - Profit/(loss) from continuing operations | 293 | (2,346) |
| - Other comprehensive income | (3,948) | 4,468 |
| Total comprehensive income | (3,655) | 2,122 |

# Notes to the Financial Statements

## 10 OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current investments** | | | | |
| Financial assets at fair value through profit or loss | 18,562 | 18,022 | 630 | 630 |

In 2013, the members of Hyflux Filtech (Singapore) Pte Ltd ("HFS") resolved to commence liquidation. HFS was a 71% owned subsidiary of the Group with two subsidiaries in the People's Republic of China, namely, Hyflux Filtech (Shanghai) Co., Ltd and Hyflux Unitech (Shanghai) Co., Ltd (together referred to as Filtech Group). Consequently, the Group deconsolidated these subsidiaries as it assessed that it no longer had control and reclassified the investment in these entities as other investments.

An assessment of the recoverable amount of the net assets of Filtech group was performed, and an impairment of Nil (2013: $12,800,000) was made. The recoverable amount was determined based on a valuation technique by third party (2013: fair value less costs to sell, by reference to indicative non-binding offers by third parties).

## 11 FINANCIAL RECEIVABLES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| **Non-current** | | |
| Financial receivables | 384,670 | 383,250 |
| **Current** | | |
| Financial receivables | 10,558 | 11,702 |
| **Total** | 395,228 | 394,952 |

The financial receivables represent the unconditional rights to receive cash or other financial asset from or at the direction of the grantors for the construction or upgrade services provided. See note 6 for the background of the service concession arrangements.

# Notes to the Financial Statements

## 12 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | | |
| Amounts due from: | | | | |
| - subsidiaries (non-trade) | – | – | 791,173 | 526,963 |
| - a joint venture (non-trade) | 19,041 | – | – | – |
| - an associate (non-trade) | – | 15,139 | – | – |
| | 19,041 | 15,139 | 791,173 | 526,963 |
| **Current** | | | | |
| Trade receivables | 106,848 | 92,870 | – | – |
| Prepayments | 14,733 | 12,140 | 1,283 | 2,454 |
| Deposits | 5,553 | 3,900 | – | – |
| Advances to suppliers | 9,601 | 12,999 | – | – |
| Staff advances | 110 | 176 | – | – |
| Other receivables | 8,870 | 6,403 | 234 | 84 |
| Amounts due from: | | | | |
| - subsidiaries (trade) | – | – | 13,239 | 16,372 |
| - subsidiaries (non-trade) | – | – | 748,551 | 694,865 |
| - joint ventures (trade) | 60,116 | 57,464 | – | – |
| - joint ventures (non-trade) | 3,536 | 3,888 | 535 | 529 |
| - associates (trade) | 7,598 | 19,384 | – | – |
| - associates (non-trade) | 24,319 | 24,369 | 5,510 | 5,289 |
| | 241,284 | 233,593 | 769,352 | 719,593 |
| **Total** | 260,325 | 248,732 | 1,560,525 | 1,246,556 |

**The Group**

As at 31 December 2014, trade receivables for the Group included a retention sum of $4,930,000 (2013: $4,834,000) relating to construction contracts in progress.

Included in current trade receivables of the Group as at 31 December 2014 were note receivables of $2,101,000 (2013: $1,412,000) relating to bank promissory notes for payment within the next six months.

The non-current non-trade amount due from a joint venture bears interest at rate of 6.55% per annum and is expected to be repayable in 2019.

The non-current non-trade amount due from an associate bears interest at rate of 5.94% (2013: 5.94%) per annum and is expected to be repayable on demand.

**The Company**

Outstanding balances with subsidiaries, joint ventures and associates are unsecured. Except for an allowance for doubtful debts of $29,212,000 (2013: Nil), there is no other allowance for doubtful debts arising from the outstanding balances.

# Notes to the Financial Statements

Except for balances amounting to $773,981,000 (2013: $510,492,000) that bear interest at rates of 5% to 6.5% (2013: 5% to 6.5%), remaining non-current non-trade amounts due from subsidiaries are interest-free, have no fixed terms of repayment and are not expected to be repaid within the next 12 months. As these amounts are in substance, a part of the entity's net investment in the subsidiaries, they are stated at cost.

The current amounts due from subsidiaries, joint ventures and associates are interest-free and are repayable on demand.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, are as set out in note 21.

## 13 DEFERRED TAX ASSETS AND LIABILITIES

***Unrecognised deferred tax assets***

Deferred tax assets have not been recognised in respect of the following items:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Tax losses | 31,511 | 21,403 | – | – |
| Deductible temporary differences | 18 | 18 | – | – |
| | 31,529 | 21,421 | – | – |

The tax losses and deductible temporary differences are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the Company and certain subsidiaries operate. Tax losses of $24,761,000 (2013: $14,495,000) expire between 2015 to 2022 (2013: 2014 to 2021). Remaining tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

***Recognised deferred tax assets and liabilities***

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| Property, plant and equipment | – | – | 422 | 875 |
| Intangible assets | – | – | 3,602 | 4,301 |
| Tax loss carry-forwards | (13,036) | (1,951) | – | – |
| Deferred tax (assets)/liabilities | (13,036) | (1,951) | 4,024 | 5,176 |

# Notes to the Financial Statements

***Movement in temporary differences of deferred tax (assets)/liabilities during the year***

| | Balance as at 1 January 2013 | Recognised in profit or loss (note 26) | Effect of changes in control of consolidated entities | Balance as at 31 December 2013 | Recognised in profit or loss (note 26) | Balance as at 31 December 2014 |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Property, plant and equipment | 1,009 | (134) | – | 875 | (453) | 422 |
| Intangible assets | 4,056 | 245 | – | 4,301 | (699) | 3,602 |
| Tax loss carry-forwards | (1,656) | (1,609) | 1,314 | (1,951) | (11,085) | (13,036) |
| | 3,409 | (1,498) | 1,314 | 3,225 | (12,237) | (9,012) |

## 14 GROSS AMOUNTS DUE FOR CONTRACT WORK

| | Note | Group 2014 | Group 2013 |
|---|---|---|---|
| | | $'000 | $'000 |
| Costs incurred and attributable profits | | 1,909,225 | 1,829,013 |
| Progress billings | | (1,836,009) | (1,742,483) |
| | | 73,216 | 86,530 |
| Comprising of: | | | |
| Gross amounts due from contract work | | 94,410 | 96,987 |
| Progress payments from customers | 17 | (21,194) | (10,457) |
| | | 73,216 | 86,530 |

The Group's exposure to credit and currency risks, and impairment losses related to gross amounts due from contract work are as set out in note 21.

## 15 INVENTORIES

| | Group 2014 | Group 2013 |
|---|---|---|
| | $'000 | $'000 |
| Raw materials and consumables | 17,894 | 14,969 |
| Work in progress | 15,185 | 6,533 |
| Finished goods | 11,102 | 13,141 |
| | 44,181 | 34,643 |

During the year, the write-down of inventories to net realisable value amounted to $989,000 (2013: $109,000) for the Group. The write-down is included as part of other expenses in profit or loss.

# Notes to the Financial Statements

## 16 CASH AND CASH EQUIVALENTS

| | Note | Group 2014 $'000 | Group 2013 $'000 | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|---|---|
| Bank balances | | 256,793 | 149,006 | 18,158 | 14,435 |
| Fixed deposits with financial institutions | | 187,635 | 94,939 | 185,085 | 54,141 |
| Cash and cash equivalents in the statements of financial position | | 444,428 | 243,945 | 203,243 | 68,576 |
| Deposits pledged | | (5,726) | (2,143) | | |
| Bank overdrafts used for cash management purposes | 18 | (56,658) | (59,217) | | |
| Cash and cash equivalents in the statement of cash flows | | 382,044 | 182,585 | | |

Deposits pledged represent bank balances of certain subsidiaries pledged as securities for performance guarantees and credit facilities.

## 17 TRADE AND OTHER PAYABLES

| | Note | Group 2014 $'000 | Group 2013 $'000 | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Derivatives - interest rate swaps used for hedging | 21 | 29,275 | 7,199 | – | – |
| **Current** | | | | | |
| Trade payables | | 119,246 | 153,181 | – | – |
| Progress payments from customers | 14 | 21,194 | 10,457 | – | – |
| Accrued expenses | | 53,272 | 36,322 | 5,049 | 2,851 |
| Other payables | | 21,525 | 16,991 | 7,288 | 8,281 |
| Amounts due to: | | | | | |
| - subsidiaries (trade) | | – | – | 40 | 39 |
| - subsidiaries (non-trade) | | – | – | 57,987 | 13,149 |
| - joint ventures (trade) | | 569 | 1,453 | – | – |
| - joint ventures (non-trade) | | 860 | 527 | – | – |
| - associate (trade) | | 13,213 | – | – | – |
| | | 229,879 | 218,931 | 70,364 | 24,320 |
| **Total** | | 259,154 | 226,130 | 70,364 | 24,320 |

Non-trade amounts due to subsidiaries and joint ventures are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables are described in note 21.

# Notes to the Financial Statements

## 18 LOANS AND BORROWINGS

| | Note | Group 2014 $'000 | Group 2013 $'000 | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Secured bank loans (a) | | 226,614 | 271,781 | – | – |
| Unsecured bank loans (b) | | 333,621 | 372,490 | 199,696 | 243,743 |
| Unsecured notes (c) | | 419,096 | 493,709 | 419,096 | 493,709 |
| | | 979,331 | 1,137,980 | 618,792 | 737,452 |
| **Current liabilities** | | | | | |
| Secured bank loans (a) | | – | 2,000 | – | – |
| Unsecured bank loans (b) | | 21,819 | 7,825 | 17,270 | 6,000 |
| Unsecured notes (c) | | 74,987 | 59,957 | 74,987 | 59,957 |
| Bank overdraft (d) | 16 | 56,658 | 59,217 | – | – |
| | | 153,464 | 128,999 | 92,257 | 65,957 |
| **Total** | | 1,132,795 | 1,266,979 | 711,049 | 803,409 |

(a) Secured bank loans

Secured bank loans are denominated in SGD (2013: SGD and USD). The secured bank loans are repayable between 2017 to 2031 (2013: 2014 to 2031). As at 31 December 2014, the effective interest rate is 5.57% (2013: 2.60% to 5.57%) per annum.

Secured bank loans of the Group as at 31 December 2014 were secured over intangible assets arising from service concession arrangements of $986,981,000 (2013: $793,444,000) and financial receivables of $246,866,000 (2013: $254,777,000) of specific project assets under project financing of a subsidiary. Additionally, as at 31 December 2013, another secured bank loan of the Group was secured by a leasehold property of a subsidiary with carrying amount of $66,018,000.

(b) Unsecured bank loans

Unsecured bank loans of the Group are denominated in SGD, USD and EUR (2013: SGD and USD). The unsecured bank loans of the Group are repayable between 2015 to 2026 (2013: 2014 to 2026). As at 31 December 2014, the effective interest rate ranged from 1.17% to 3.73% (2013: 1.28% to 3.73%) per annum.

Unsecured bank loans of the Company are denominated in SGD, USD and EUR (2013: SGD and USD). The unsecured bank loans of the Company are repayable between 2015 to 2016 (2013: 2014 to 2016). As at 31 December 2014, the effective interest rate ranged from 1.26% to 1.99% (2013: 1.28% to 1.99%) per annum.

Unsecured bank loans of the Group totalling $352,795,000 (2013: $380,315,000) are guaranteed by the Company and a subsidiary of the Group.

Unsecured bank loans of the Company totalling $216,966,000 (2013: $249,743,000) are guaranteed by a subsidiary of the Group.

At the reporting date, the Group does not consider it probable that a claim will be made against the Group under the guarantees as described above.

# Notes to the Financial Statements

(c) Unsecured notes

Unsecured notes of the Group and Company are denominated in SGD (2013: SGD). The unsecured notes of the Group and Company are repayable between 2015 to 2019 (2013: 2014 to 2019). As at 31 December 2014, the effective interest rate ranged from 3.50% to 4.60% (2013: 3.50% to 5.68%) per annum.

As at 31 December 2014, $495,000,000 (2013: $555,000,000) of unsecured fixed rate notes were in issue. The unsecured fixed rate notes were issued under the multi-currency debt issuance programme, pursuant to which the Company may issue notes which bear currency, interest and maturity terms that vary with each series, as may be agreed between the Company and the dealers.

(d) Bank overdraft

The bank overdraft of the Group is denominated in DZD (2013: DZD) and is repayable in 2015 (2013: 2014). As at 31 December 2014, the effective interest rate ranged from 6.00% to 9.00% (2013: 6.00% to 9.00%) per annum.

Bank overdraft of the Group totalling $56,658,000 (2013: $59,217,000) is guaranteed by the Company and a subsidiary of the Group.

The Group's and Company's exposures to interest rate, foreign currency and liquidity risks are set out in note 21.

## 19 CAPITAL AND RESERVES

***Share capital***

| | Ordinary shares | | Perpetual preference shares* | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **No. of shares** | | **No. of shares** | |
| | **'000** | **'000** | **'000** | **'000** |
| **Group and Company** | | | | |
| On issue at 1 January | 827,008 | 825,223 | 4,000 | 4,000 |
| Exercise of share options | 377 | 1,785 | – | – |
| Purchase of treasury shares | (10,400) | – | – | – |
| On issue at 31 December | 816,985 | 827,008 | 4,000 | 4,000 |

* 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares

All shares rank equally with regard to the Company's residual assets, except that perpetual preference shareholders who rank senior to the ordinary shareholders participate only to the extent of the face value of the perpetual preference shares.

All issued shares are fully paid, with no par value.

***Ordinary shares***

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, the rights are suspended until these shares are issued.

# Notes to the Financial Statements

*Issuance of ordinary shares*

377,000 (2013: 1,785,250) ordinary shares were issued as a result of the exercise of vested options arising from the 2001 share option programme granted to key management staff. Options were exercised at an average price of $0.981 (2013: $0.947) per option.

All issued shares were fully paid.

***Perpetual preference shares***

| | Group and Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| At 1 January and 31 December | 392,569 | 392,569 |

In 2011, the Company issued 4,000,000 perpetual preference shares listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The perpetual preference shares do not carry the right to vote at general meeting except in certain limited circumstances as specified in the Offer Information Statement dated 13 April 2011 (the OIS) and rank senior to the ordinary shares with regard to the Company's residual assets, to the extent of the face value of the perpetual preference shares. All issued shares are fully paid.

The perpetual preference shares carry a dividend rate of 6% per annum of their liquidation preference (being $100 per preference shares), payable semi-annually when, as and if declared by the Board, in arrears on 25 April and 25 October of each year, subject to certain conditions specified in the OIS.

The Company has the right, but not the obligation, to redeem the perpetual preference shares on or after 25 April 2018, at the liquidation preference for each perpetual preference share plus accrued but unpaid dividends up to (but excluding) the redemption date. If the perpetual preference shares are not redeemed by the Company on 25 April 2018, dividends will accrue on the perpetual preference shares at the rate of 8% per annum of their liquidation preference on and from 25 April 2018.

The perpetual preference shares are perpetual securities with no maturity date and are not redeemable at the option of the holders of the perpetual preference shares. The Company may at its sole discretion, redeem the perpetual preference shares for cash, in whole or in part (on a pro rata basis), under certain circumstances, subject to the terms and conditions of the OIS.

***Perpetual capital securities***

In 2014, the Company issued perpetual capital securities with principal amount of $300,000,000 bearing distributions at a rate of 5.75% on 23 January 2014 and principal amount of $175,000,000 bearing distributions at a rate of 4.80% on 29 July 2014, respectively. A total of $469,096,000, net of issuance costs were recognised in equity.

The perpetual capital securities bear distributions which are payable semi-annually. Subject to the relevant terms and conditions in the offering circular, the Company may elect to defer making distributions on the perpetual capital securities, and is not subject to any limits as to the number of times a distribution can be deferred.

# Notes to the Financial Statements

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions and the perpetual capital securities do not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments*: *Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

***Reserve for own shares***

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. During the year, 10,400,000 (2013: Nil) shares were purchased and kept as treasury shares. As at 31 December 2014, the Group held 47,546,000 (2013: 37,146,000) of the Company's shares.

***Capital reserve***

The capital reserve comprises:

(a) Capital gain arising from the payment of the Group's subscription to the share capital of a subsidiary by a non-controlling interest.

(b) Statutory Reserve Fund (SRF)

In accordance with the Foreign Enterprise Law in the People's Republic of China (PRC), the Group's subsidiaries in the PRC are required to appropriate earnings to a SRF. 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations are allocated to the SRF annually until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(c) Difference between the consideration paid and net assets acquired in acquisition of non-controlling interest.

(d) Accumulated amortisation of transaction costs incurred in the issuance of perpetual preference shares and perpetual capital securities.

***Foreign currency translation reserve***

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

***Hedging reserve***

The hedging reserve comprises:

(a) The effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred; and

(b) The Group's share of the hedging reserve of joint ventures and associates.

***Employees' share option reserve***

The employees' share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options.

# Notes to the Financial Statements

***Dividends***

The following dividends were declared and paid by the Group and the Company:

**For the year ended 31 December**

| | Group and Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Final tax-exempt dividend paid of 1.60 cents (2013: 2.50 cents) per share in respect of previous financial year | 13,234 | 20,651 |
| Interim tax-exempt dividend paid of 0.70 cents (2013: 0.70 cents) per share in respect of current financial year | 5,792 | 5,786 |
| 6% (2013: 6%) per annum of perpetual preference shares | 24,000 | 24,000 |
| Dividends for perpetual capital securities | 8,553 | – |
| | 51,579 | 50,437 |

After the respective reporting dates, the following dividends were proposed by the directors. As at the respective year end, the dividends were not provided for and there were no income tax consequences.

| | Group and Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Final proposed tax-exempt dividend of 1.60 cents (2013: 1.60 cents) per share | 13,072* | 13,232 |

* based on issued ordinary shares as at 31 December 2014.

## 20 SHARE-BASED PAYMENT

***Description of the share-based payment arrangements***

As at 31 December 2014, the Group has the following share-based payment arrangements.

***Share option scheme (equity-settled)***

On 27 April 2011, the members of the Company have approved the implementation of a new share option scheme (the Scheme) to replace the 2001 Scheme that expired on 26 September 2011 and allowed Olivia Lum Ooi Lin, Executive Chairman and Group CEO, a substantial shareholder of the Company, to participate in the 2011 Scheme. The implementation of the Scheme and replacement of the expired scheme do not affect the rights of holders of the options under the expired scheme. The maximum entitlement of Olivia Lum Ooi Lin is 10% of the total number of shares which may be issued by the Company under the Scheme. The aggregate number of scheme shares available to Olivia Lum Ooi Lin and her associates (as defined in SGX-ST's Listing Manual) shall not exceed 25% of the total number of scheme shares available under the Scheme. It has been in force since 27 September 2011 and shall expire on 26 September 2021.

# Notes to the Financial Statements

The Scheme is administered by the Remuneration Committee.

Once these options have vested, the options are exercisable by an employee or director of the Company (collectively as Option Holders) during a contractual option term of 10 years from the date of grant of that option. 20% of the options granted are exercisable after Option Holders complete each year of service from the date of the grant. All options are to be settled by physical delivery of shares.

The duration of the Scheme may be extended with the approval of the members of the Company at a general meeting of the Company and of any relevant authorities which may then be required. The vesting of the options under the Schemes is conditional upon various factors including Option Holders completing their years of service with the Group.

***Disclosure of share option scheme***

The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price 2014 | Number of options 2014 | Weighted average exercise price 2013 | Number of options 2013 |
|---|---|---|---|---|
| | $ | | $ | |
| Outstanding at 1 January | 1.615 | 39,297,750 | 1.623 | 45,417,477 |
| Forfeited during the year | 1.771 | (6,340,500) | 1.782 | (6,514,477) |
| Exercised during the year | 0.981 | (377,000) | 0.947 | (1,785,250) |
| Granted during the year | 1.165 | 3,030,000 | 1.396 | 2,180,000 |
| Option granted but not accepted | 1.165 | (50,000) | – | – |
| Outstanding at 31 December | 1.556 | 35,560,250 | 1.615 | 39,297,750 |
| Exercisable at 31 December | 1.603 | 24,608,050 | 1.626 | 24,804,950 |

The options outstanding as at 31 December 2014 have an exercise price in the range of $0.9813 to $2.4187 (2013: $0.9813 to $2.4187) per share and a weighted average contractual life of 4.14 years (2013: 4.53 years).

For share options exercised in 2014, the weighted average share price at the date of exercise was $1.171 (2013: $1.283) per share.

***Inputs for measurement of grant date fair values***

The grant date fair value of the share-based payment plans is measured based on the Black-Scholes standard option valuation model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

***Fair value of share options and assumptions***

| **Date of grant of options** | **15 January 2014** |
|---|---|
| Fair value at grant date | $0.084 |
| Share price at grant date | $1.160 |
| Exercise price | $1.165 |
| Expected volatility (weighted average volatility) | 14.5% |
| Option life (expected weighted average life) | 100 days |
| Expected dividends | 2.62% |
| Risk-free interest rate (based on government bonds) | 0.67% |

# Notes to the Financial Statements

## 21 FINANCIAL INSTRUMENTS

***Credit risk***

*Exposure to credit risk*

The carrying amount of financial assets in the statements of financial position represents the Group's and the Company's respective maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2014** | **2013** | **2014** | **2013** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| Financial receivables | 11 | 395,228 | 394,952 | – | – |
| Trade and other receivables * | 12 | 245,592 | 236,592 | 1,559,242 | 1,244,102 |
| Gross amounts due from contract work | 14 | 94,410 | 96,987 | – | – |
| Total receivables | | 735,230 | 728,531 | 1,559,242 | 1,244,102 |

* *Excludes prepayments*

The Group's revenue is earned from customers whose credit quality have not changed significantly except for receivables with impairment made as at year-end.

The maximum exposure to credit risk for total receivables at the reporting date by type of counterparty was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Municipal | 592,129 | 575,742 | – | – |
| Industrial | 26,266 | 31,733 | – | – |
| Subsidiaries | – | – | 1,552,963 | 1,238,200 |
| Joint ventures | 82,695 | 61,352 | 535 | 529 |
| Associates | 31,917 | 58,892 | 5,510 | 5,289 |
| Others | 2,223 | 812 | 234 | 84 |
| | 735,230 | 728,531 | 1,559,242 | 1,244,102 |

The credit quality of total receivables is assessed based upon the credit policy in place. At the reporting date, the Group and the Company believe that the credit quality of total receivables that were not past due or impaired is of acceptable risk.

The Group does not require collateral in respect of trade and other receivables.

# Notes to the Financial Statements

*Impairment losses*

The ageing of total receivables at the reporting date was:

| | Gross 2014 $'000 | Impairment 2014 $'000 | Gross 2013 $'000 | Impairment 2013 $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Not past due | 679,457 | – | 673,967 | – |
| Past due 0 to 60 days | 1,125 | – | 5,016 | – |
| Past due 61 to 180 days | 4,159 | – | 14,496 | – |
| More than 180 days | 88,907 | 38,418 | 44,602 | 9,550 |
| | 773,648 | 38,418 | 738,081 | 9,550 |
| **Company** | | | | |
| Not past due | 1,588,454 | 29,212 | 1,244,102 | – |

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| At 1 January | 9,550 | 5,570 | – | – |
| Impairment loss recognised | 28,069 | 8,441 | 29,212 | – |
| Impairment loss written off | (20) | (1,523) | – | – |
| Effect of changes in control of consolidated entities | – | (2,963) | – | – |
| Effect of movements in exchange rates | 819 | 25 | – | – |
| At 31 December | 38,418 | 9,550 | 29,212 | – |

During the year, the Group recorded an allowance for impairment of $28,069,000 (2013: $8,441,000) representing its estimated exposure in respect of trade and other receivables, based on a collective assessment for a group of similar assets and historical settlement patterns for such assets.

The impairment losses recognised during the year are included as part of other expenses in profit or loss.

Based on historic default rates, payment behaviour and analysis of the customers' underlying credit ratings, the Group believes that, apart from the above, no further impairment allowance is necessary in respect of the Group's loans and receivables that are unimpaired as at 31 December 2014 and 2013 as these loans and receivables are mainly due from government bodies, government agencies or customers that have good payment records with the Group.

***Cash and cash equivalents***

The Group held cash and cash equivalents of $444,428,000 as at 31 December 2014 (2013: $243,945,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with financial institution counterparties, which are licensed banks in the countries that the Group operates in.

As at 31 December 2014, 82% (2013: 75%) of the Group's cash and cash equivalents are held with financial institutions in Singapore.

# Notes to the Financial Statements

***Liquidity risk***

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | | Cash flows | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **Within 1 year** | **From 2 to 5 years** | **More than 5 years** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Group** | | | | | |
| **2014** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Bank overdraft | 56,658 | (60,176) | (60,176) | – | – |
| Variable interest rate loans | 572,531 | (696,051) | (45,107) | (294,519) | (356,425) |
| Fixed interest rate loans | 9,523 | (11,744) | (355) | (4,225) | (7,164) |
| Fixed interest rate notes | 494,083 | (553,404) | (92,884) | (460,520) | – |
| Trade and other payables* | 208,685 | (208,685) | (208,685) | – | – |
| | 1,341,480 | (1,530,060) | (407,207) | (759,264) | (363,589) |
| **Derivative financial instruments** | | | | | |
| Interest rate swaps used for hedging (net-settled) | 29,275 | (104,789) | (6,483) | (49,016) | (49,290) |
| | 1,370,755 | (1,634,849) | (413,690) | (808,280) | (412,879) |
| **2013** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Bank overdraft | 59,217 | (63,289) | (63,289) | – | – |
| Variable interest rate loans | 644,972 | (787,698) | (21,796) | (389,541) | (376,361) |
| Fixed interest rate loans | 9,124 | (11,591) | (340) | (2,274) | (8,977) |
| Fixed interest rate notes | 553,666 | (636,257) | (82,853) | (383,361) | (170,043) |
| Trade and other payables* | 208,474 | (208,474) | (208,474) | – | – |
| | 1,475,453 | (1,707,309) | (376,752) | (775,176) | (555,381) |
| **Derivative financial instruments** | | | | | |
| Interest rate swaps used for hedging (net-settled) | 7,199 | (115,284) | (6,744) | (43,378) | (65,162) |
| | 1,482,652 | (1,822,593) | (383,496) | (818,554) | (620,543) |

* *Excludes derivatives (shown separately) and progress payments from customers.*

# Notes to the Financial Statements

| | Carrying amount $'000 | Cash flows: Contractual cash flows $'000 | Within 1 year $'000 | From 2 to 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **2014** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Variable interest rate loans | 216,966 | (223,571) | (21,225) | (202,346) | – |
| Fixed interest rate notes | 494,083 | (553,404) | (92,884) | (460,520) | – |
| Trade and other payables | 70,364 | (70,364) | (70,364) | – | – |
| | 781,413 | (847,339) | (184,473) | (662,866) | – |
| **2013** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Variable interest rate loans | 249,743 | (262,130) | (10,560) | (251,570) | – |
| Fixed interest rate notes | 553,666 | (636,257) | (82,853) | (383,361) | (170,043) |
| Trade and other payables | 24,320 | (24,320) | (24,320) | – | – |
| | 827,729 | (922,707) | (117,733) | (634,931) | (170,043) |

The maturity analysis shows the undiscounted cash flows of the financial liabilities of the Group and the Company on the basis of their earliest possible contractual maturity.

Except for the cash flow arising from the intragroup financial guarantee given by the Company, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intragroup financial guarantee.

***Currency risk***

*Exposure to currency risk*

The Group's and Company's exposure to foreign currency risks based on notional amounts are as follows:

| | 2014 US dollars $'000 | 2014 Euro $'000 | 2013 US dollars $'000 | 2013 Euro $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Trade and other receivables | 47,767 | 1,066 | 81,820 | 1,503 |
| Gross amounts due for contract work | 63,795 | – | 63,343 | – |
| Cash and cash equivalents | 33,388 | 18,892 | 16,771 | 51,977 |
| Loans and borrowings | (306,314) | (4,043) | (255,369) | – |
| Trade and other payables | (35,845) | (21,548) | (35,744) | (37,677) |
| Net statement of financial exposure | (197,209) | (5,633) | (129,179) | 15,803 |
| Exposure hedged against forecasted purchase | – | (6,500) | – | (16,022) |
| Net exposure | (197,209) | (12,133) | (129,179) | (219) |

# Notes to the Financial Statements

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | US dollars | Euro | US dollars | Euro |
| | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | |
| Trade and other receivables | 357,674 | 35,572 | 337,499 | 23,674 |
| Cash and cash equivalents | 2,104 | 18,611 | 1,966 | 50,097 |
| Loans and borrowings | (158,063) | (4,043) | (114,048) | – |
| Trade and other payables | (20,570) | – | (9,417) | – |
| Net exposure | 181,145 | 50,140 | 216,000 | 73,771 |

*Sensitivity analysis*

A 10% strengthening of the Singapore dollar, as indicated below, against the US dollar and Euro as at 31 December would have increased equity and profit before income tax in profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013, although the reasonably possible foreign exchange rate variances were different, as indicated below:

| | Group | | Company | |
|---|---|---|---|---|
| | Profit before income tax | Equity | Profit before income tax | Equity |
| | $'000 | $'000 | $'000 | $'000 |
| **31 December 2014** | | | | |
| US dollars (10% strengthening) | 19,721 | – | (18,115) | – |
| Euro (10% strengthening) | 1,213 | (650) | (5,014) | – |
| **31 December 2013** | | | | |
| US dollars (10% strengthening) | 12,918 | – | (21,600) | – |
| Euro (10% strengthening) | 22 | (1,602) | (7,377) | – |

A weakening of the Singapore dollar against the above currency as at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

***Interest rate risk***

*Profile*

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

| | Group | | Company | |
|---|---|---|---|---|
| | Nominal value | | Nominal value | |
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Fixed rate instruments** | | | | |
| Bank overdraft | (56,658) | (59,217) | – | – |
| Fixed interest rate loans | (9,523) | (9,124) | – | – |
| Unsecured notes | (495,000) | (555,000) | (495,000) | (555,000) |
| Interest rate swaps used for hedging | (230,000) | (230,000) | – | – |
| | (791,181) | (853,341) | (495,000) | (555,000) |

# Notes to the Financial Statements

The Group designated interest rate swaps as hedges against variability in cash flows attributable to interest rate fluctuations. As at 31 December 2014, the Group receives floating interest, and pays a fixed rate of interest at 5.57% (2013: 5.57%) per annum for one of the borrowings with notional amount of $230,000,000 (2013: $230,000,000).

| | Group | | Company | |
|---|---|---|---|---|
| | Nominal value | | Nominal value | |
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Variable rate instruments** | | | | |
| Variable interest rate loans | (585,983) | (661,395) | (217,255) | (250,198) |
| Interest rate swaps used for hedging | 230,000 | 230,000 | – | – |
| | (355,983) | (431,395) | (217,255) | (250,198) |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 75 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit before income tax in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

| | Profit before income tax | | Equity | |
|---|---|---|---|---|
| | 75 bp increase | 75 bp decrease | 75 bp increase | 75 bp decrease |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| **31 December 2014** | | | | |
| Variable rate instruments | (2,670) | 2,670 | – | – |
| **31 December 2013** | | | | |
| Variable rate instruments | (3,235) | 3,235 | – | – |
| **Company** | | | | |
| **31 December 2014** | | | | |
| Variable rate instruments | (1,629) | 1,629 | – | – |
| **31 December 2013** | | | | |
| Variable rate instruments | (1,876) | 1,876 | – | – |

# Notes to the Financial Statements

**Accounting classifications and fair values**

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | Note | Designated at fair value $'000 | Loans and receivables $'000 | Fair value – hedging instruments $'000 | Other financial liabilities within the scope of FRS 39 $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **31 December 2014** | | | | | | | |
| Cash and cash equivalents | 16 | – | 444,428 | – | – | 444,428 | 444,428 |
| Trade and other receivables* | 12 | – | 245,592 | – | – | 245,592 | 245,955 |
| Financial receivables | 11 | – | 395,228 | – | – | 395,228 | 402,449 |
| Gross amounts due for contract work | 14 | – | 94,410 | – | – | 94,410 | 94,410 |
| Other investments | 10 | 18,562 | – | – | – | 18,562 | 18,562 |
| | | 18,562 | 1,179,658 | – | – | 1,198,220 | 1,205,804 |
| Secured bank loans | 18 | – | – | – | (226,614) | (226,614) | (226,614) |
| Unsecured bank loans | 18 | – | – | – | (355,440) | (355,440) | (355,440) |
| Unsecured notes | 18 | – | – | – | (494,083) | (494,083) | (489,531) |
| Trade and other payables# | 17 | – | – | – | (208,685) | (208,685) | (208,685) |
| Derivatives | 17 | – | – | (29,275) | – | (29,275) | (29,275) |
| Bank overdraft | 18 | – | – | – | (56,658) | (56,658) | (56,658) |
| | | – | – | (29,275) | (1,341,480) | (1,370,755) | (1,366,203) |
| **31 December 2013** | | | | | | | |
| Cash and cash equivalents | 16 | – | 243,945 | – | – | 243,945 | 243,945 |
| Trade and other receivables* | 12 | – | 236,592 | – | – | 236,592 | 236,527 |
| Financial receivables | 11 | – | 394,952 | – | – | 394,952 | 376,532 |
| Gross amounts due for contract work | 14 | – | 96,987 | – | – | 96,987 | 96,987 |
| Other investments | 10 | 18,022 | – | – | – | 18,022 | 18,022 |
| | | 18,022 | 972,476 | – | – | 990,498 | 972,013 |
| Secured bank loans | 18 | – | – | – | (273,781) | (273,781) | (273,781) |
| Unsecured bank loans | 18 | – | – | – | (380,315) | (380,315) | (380,315) |
| Unsecured notes | 18 | – | – | – | (553,666) | (553,666) | (550,369) |
| Trade and other payables# | 17 | – | – | – | (208,474) | (208,474) | (208,474) |
| Derivatives | 17 | – | – | (7,199) | – | (7,199) | (7,199) |
| Bank overdraft | 18 | – | – | – | (59,217) | (59,217) | (59,217) |
| | | – | – | (7,199) | (1,475,453) | (1,482,652) | (1,479,355) |

* *Excludes prepayments.*
\# *Excludes derivatives (shown separately) and progress payments from customers.*

# Notes to the Financial Statements

| | Note | Designated at fair value $'000 | Loans and receivables $'000 | Other financial liabilities within the scope of FRS 39 $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **31 December 2014** | | | | | | |
| Cash and cash equivalents | 16 | – | 203,243 | – | 203,243 | 203,243 |
| Trade and other receivables* | 12 | – | 1,559,242 | – | 1,559,242 | 1,559,242 |
| Other investments | 10 | 630 | – | – | 630 | 630 |
| | | 630 | 1,762,485 | – | 1,763,115 | 1,763,115 |
| Unsecured bank loans | 18 | – | – | (216,966) | (216,966) | (216,966) |
| Unsecured notes | 18 | – | – | (494,083) | (494,083) | (489,531) |
| Trade and other payables | 17 | – | – | (70,364) | (70,364) | (70,364) |
| | | – | – | (781,413) | (781,413) | (776,861) |
| **31 December 2013** | | | | | | |
| Cash and cash equivalents | 16 | – | 68,576 | – | 68,576 | 68,576 |
| Trade and other receivables* | 12 | – | 1,244,102 | – | 1,244,102 | 1,244,102 |
| Other investments | 10 | 630 | – | – | 630 | 630 |
| | | 630 | 1,312,678 | – | 1,313,308 | 1,313,308 |
| Unsecured bank loans | 18 | – | – | (249,743) | (249,743) | (249,743) |
| Unsecured notes | 18 | – | – | (553,666) | (553,666) | (550,369) |
| Trade and other payables | 17 | – | – | (24,320) | (24,320) | (24,320) |
| | | – | – | (827,729) | (827,729) | (824,432) |

* *Excludes prepayments.*

*Interest rates used for determining fair value*

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| Amounts due from joint venture (non-trade) | 5.9% | – |
| Amounts due from associates (non-trade) | – | 6.0% |
| Unsecured notes | 4.0% | 4.0% |
| Financial receivables | 2.78% - 3.65% | 3.05% - 4.62% |

# Notes to the Financial Statements

***Fair value hierarchy***

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- ***Level 1:*** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ***Level 2:*** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- ***Level 3:*** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***Financial assets and liabilities carried at fair value***

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 December 2014** | | | | |
| Other investments | – | – | 18,562 | 18,562 |
| Derivatives | – | (29,275) | – | (29,275) |
| | – | (29,275) | 18,562 | (10,713) |
| **31 December 2013** | | | | |
| Other investments | – | – | 18,022 | 18,022 |
| Derivatives | – | (7,199) | – | (7,199) |
| | – | (7,199) | 18,022 | 10,823 |
| **Company** | | | | |
| **31 December 2014** | | | | |
| Other investments | – | – | 630 | 630 |
| **31 December 2013** | | | | |
| Other investments | – | – | 630 | 630 |

# Notes to the Financial Statements

***Financial assets and liabilities not carried at fair value but for which fair values are disclosed***

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 December 2014** | | | | |
| Trade and other receivables | – | 245,955 | – | 245,955 |
| Financial receivables | – | 402,449 | – | 402,449 |
| | – | 648,404 | – | 648,404 |
| Unsecured notes | – | (489,531) | – | (489,531) |
| **31 December 2013** | | | | |
| Trade and other receivables | – | 236,527 | – | 236,527 |
| Financial receivables | – | 376,532 | – | 376,532 |
| | – | 613,059 | – | 613,059 |
| Unsecured notes | – | (550,369) | – | (550,369) |
| **Company** | | | | |
| **31 December 2014** | | | | |
| Unsecured notes | – | (489,531) | – | (489,531) |
| **31 December 2013** | | | | |
| Unsecured notes | – | (550,369) | – | (550,369) |

***Level 3 fair values***

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

| | Group<br>Other investments<br>$'000 | Company<br>Other investments<br>$'000 |
|---|---|---|
| At 1 January 2013 | – | – |
| Deconsolidation of subsidiaries (see note 22) | 18,022 | – |
| Reclassification of investment in subsidiary due to loss of control | – | 630 |
| At 31 December 2013 | 18,022 | 630 |
| At 1 January 2014 | 18,022 | 630 |
| Additions | 515 | – |
| Translation differences | 25 | – |
| At 31 December 2014 | 18,562 | 630 |

# Notes to the Financial Statements

## 22 LOSS OF CONTROL IN CONSOLIDATED ENTITIES

In 2013, the members of Hyflux Filtech (Singapore) Pte Ltd ("HFS") resolved to commence liquidation. HFS is a 71% owned subsidiary of the Group with two subsidiaries in the People's Republic of China, namely, Hyflux Filtech (Shanghai) Co., Ltd and Hyflux Unitech (Shanghai) Co., Ltd. Consequently, the Group deconsolidated these subsidiaries as it assessed that it no longer had control and classified these entities as other investments.

| | Note | Group $'000 |
|---|---|---|
| Property, plant and equipment | 4 | 6,149 |
| Investments in associates | | 221 |
| Gross amounts due for contract works | | 5,777 |
| Inventories | | 421 |
| Trade and other receivables | | 14,959 |
| Cash and cash equivalents | | 14,714 |
| Trade and other payables | | (11,423) |
| Tax payable | | (272) |
| Non-controlling interest | | (12,524) |
| Net assets deconsolidated and reclassified to other investments | | 18,022 |
| | | |
| Profit on disposal | | 810 |
| Realisation of foreign currency translation | | (810) |
| Cash consideration | | – |
| Less: cash and cash equivalents disposed | | (14,714) |
| Net cash outflow on disposal | | (14,714) |

## 23 REVENUE

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Construction revenue | 220,646 | 475,884 |
| Operating and maintenance income | 61,131 | 39,640 |
| Sale of goods | 25,823 | 11,538 |
| Finance income | 8,957 | 3,410 |
| Others | 4,837 | 5,318 |
| | 321,394 | 535,790 |

# Notes to the Financial Statements

## 24 FINANCE COSTS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Interest expense - bank loans | 34,829 | 27,519 |

## 25 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Net foreign currency exchange loss | 287 | 2,974 |
| Interest income: | | |
| - fixed deposits with financial institutions | (2,313) | (474) |
| - associates | (1,423) | (1,844) |
| - joint venture | (311) | – |
| Financial receivables written off | 2,886 | 2,617 |
| Intangible assets arising from service concession arrangements written off | 990 | – |
| Gain on disposal of an associate and a joint venture | (54,118) | – |
| (Gain)/loss on sale of property, plant and equipment | (103,684) | 39 |
| Loss/(gain) on liquidation of subsidiaries | 98 | (3) |
| Impairment of trade and other receivables | 28,069 | 8,441 |
| Operating lease expense | 18,763 | 16,183 |
| Professional fees paid to firms in which a director is member | 258 | 562 |
| Contribution to defined contribution plans, included in staff costs | 5,979 | 6,180 |
| Employees' share option expense, included in staff costs | 569 | 1,729 |
| Research expense | 933 | 71 |
| Audit fees paid to: | | |
| - auditors of the Company | 438 | 437 |
| - other member firms of KPMG International | 133 | 179 |
| - other auditors | 62 | 121 |
| Non-audit fees paid to: | | |
| - auditors of the Company | 216 | 95 |

# Notes to the Financial Statements

## 26 TAX (CREDITS)/EXPENSES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| **Current tax expense** | | |
| Current year | 6,848 | 9,982 |
| (Over)/under provided in prior years | (364) | 243 |
| | 6,484 | 10,225 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (12,237) | (1,498) |
| Tax (credits)/expenses | (5,753) | 8,727 |

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| ***Reconciliation of effective tax rate*** | | |
| Profit before income tax | 53,060 | 51,623 |
| Income tax using Singapore tax rate of 17% | 9,020 | 8,776 |
| Effect of different tax rates in foreign jurisdictions | (3,026) | 662 |
| Tax exempt and non-taxable income | (29,884) | (1,056) |
| Non-deductible expenses | 9,194 | 2,015 |
| Effect of partial tax exemption and incentives | 9,307 | (1,913) |
| (Over)/under provided in prior years | (364) | 243 |
| | (5,753) | 8,727 |

A subsidiary of the Group was granted Pioneer Tax Status in Singapore in respect of the production and sale of membrane systems. Accordingly, the subsidiary enjoys tax exemption on income arising from sale of membrane systems subject to the terms and conditions of the Pioneer Tax Status for 8 years from April 2009.

Another subsidiary was awarded a 7-year Development and Expansion Incentive in Singapore from April 2009. Qualifying income earned during this period is taxed at a concessionary rate of 5%.

In accordance with the "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises", certain subsidiaries are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. A new Corporate Income Tax Law which took effect on 1 January 2008 stated that subsidiaries in the People's Republic of China which have not utilised their five-year tax concessions under the old tax law were required to utilise their first year of tax concession commencing from 2008. In addition, one of the subsidiaries has High-Technology Status which is subject to a tax rate of 15%.

Subsidiaries incorporated in the British Virgin Islands (BVI) are exempt from income taxes in BVI in accordance with local tax laws.

# Notes to the Financial Statements

## 27 EARNINGS PER SHARE

***Basic earnings per share***

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary shareholders of $13,669,000 (2013: $20,026,000), and a weighted average number of ordinary shares outstanding of 824,833,989 (2013: 826,216,677), calculated as follows:

*Profit attributable to ordinary shareholders*

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Profit for the year | 57,469 | 44,026 |
| Dividends on perpetual preference shares | (24,000) | (24,000) |
| Dividends on perpetual capital securities | (19,800) | – |
| Profit attributable to ordinary shareholders | 13,669 | 20,026 |

*Weighted average number of ordinary shares*

| | **2014** | **2013** |
|---|---|---|
| | **'000** | **'000** |
| Issued ordinary shares at 1 January | 827,008 | 825,223 |
| Effect of own shares held | (2,416) | – |
| Effects of share options exercised | 242 | 994 |
| Weighted average number of ordinary shares at 31 December | 824,834 | 826,217 |

***Diluted earnings per share***

The calculation of diluted earnings per share for the year ended 31 December 2014 was based on profit attributable to ordinary shareholders of $13,669,000 (2013: $20,026,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 825,038,717 (2013: 826,761,402), calculated as follows:

*Weighted average number of ordinary shares (diluted)*

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **'000** | **'000** |
| Weighted average number of ordinary shares (basic) | 824,834 | 826,217 |
| Effect of share options on issue | 205 | 544 |
| Weighted average number of ordinary shares (diluted) at 31 December | 825,039 | 826,761 |

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. Share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the share options (i.e. they are 'in the money').

# Notes to the Financial Statements

## 28 SEGMENT REPORTING

### (a) Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Municipal*. Supplier of comprehensive range of innovative water and fluid treatment solutions to municipalities and governments, including commissioning, operation and maintenance of a wide range of water treatment and liquid separation plants on a turnkey or Design-Build-Own-Operate-Transfer arrangements.

- *Industrial*. Liquid separation applications for the manufacturing sector such as the pharmaceutical, biotechnology, food processing and petrochemical oil-related industries.

Other operations include consumer business. None of these other segments meets any of the quantitative thresholds for determining reportable segments in 2014 or 2013.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

### (b) Geographical segments

The Group operates in 4 principal geographical areas: Singapore, China, Middle East & North Africa and Others. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

# Notes to the Financial Statements

***Information about reportable segments***

| | Municipal | | Industrial | | All other segments | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| External revenues | 269,868 | 499,876 | 46,410 | 28,646 | 5,116 | 7,268 | 321,394 | 535,790 |
| Inter-segment revenue | 43 | 2,109 | – | – | 4,567 | 9,015 | 4,610 | 11,124 |
| Interest income | 2,019 | 1,557 | 35 | 674 | 16 | – | 2,070 | 2,231 |
| Finance costs | (20,527) | (11,925) | (49) | – | (588) | (1,242) | (21,164) | (13,167) |
| Depreciation, amortisation and impairment | (10,894) | (5,077) | (14,121) | (24,626) | (2,555) | (3,322) | (27,570) | (33,025) |
| Reportable segment (loss)/profit before income tax | (26,219) | 102,409 | (46,030) | (19,851) | 153,319* | (2,236) | 81,070 | 80,322 |
| Share of (loss)/profit of associates and joint ventures, net of income tax | (9,383) | (3,585) | (1,961) | (4,039) | 31 | 2,273 | (11,313) | (5,351) |
| Tax credit/(expense) | 7,594 | (3,928) | (44) | (451) | (1,797) | (4,348) | 5,753 | (8,727) |
| Operating lease expenses | (14,670) | (14,821) | (3,472) | (262) | (620) | (1,100) | (18,762) | (16,183) |
| Contribution to defined contribution plan, included in staff cost | (4,803) | (4,832) | (911) | (986) | (266) | (362) | (5,980) | (6,180) |
| Reportable segment assets | 2,028,524 | 1,743,328 | 161,399 | 146,593 | 45,093 | 105,332 | 2,235,016 | 1,995,253 |
| Investments in joint ventures | 233,846 | 236,310 | – | – | – | 974 | 233,846 | 237,284 |
| Investments in associates | 100,335 | 95,224 | – | 1,985 | – | 7,909 | 100,335 | 105,118 |
| Capital expenditure | 6,112 | 3,102 | 4,508 | 96 | 2,199 | 1,117 | 12,819 | 4,315 |
| Reportable segment liabilities | 994,952 | 882,102 | 25,578 | 13,319 | 38,965 | 75,629 | 1,059,495 | 971,050 |

* Included gain from sale and leaseback of property, plant and equipment of $103,803,000 and gain on divestments of an associate and a joint venture of $54,118,000.

# Notes to the Financial Statements

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

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **Revenues** | | |
| Total revenue for reportable segments | 316,278 | 528,522 |
| Revenue for all other segments | 5,116 | 7,268 |
| Consolidated revenue | 321,394 | 535,790 |
| | | |
| **Profit or loss** | | |
| Total profit or loss for reportable segments | (72,249) | 82,558 |
| Profit or loss for all other segments | 153,319 | (2,236) |
| | 81,070 | 80,322 |
| Unallocated other corporate expenses | (16,697) | (23,348) |
| Share of losses of associates and joint ventures, net of income tax | (11,313) | (5,351) |
| Consolidated profit before income tax | 53,060 | 51,623 |
| | | |
| **Assets** | | |
| Total assets for reportable segments | 2,189,923 | 1,889,921 |
| Assets for all other segments | 45,093 | 105,332 |
| Investments in associates and joint ventures | 334,181 | 342,402 |
| Other unallocated amounts | 172,518 | 58,850 |
| Consolidated total assets | 2,741,715 | 2,396,505 |
| | | |
| **Liabilities** | | |
| Total liabilities for reportable segments | 1,020,530 | 895,421 |
| Liabilities for all other segments | 38,965 | 75,629 |
| Other unallocated amounts | 340,232 | 539,163 |
| Consolidated total liabilities | 1,399,727 | 1,510,213 |

| | Reportable segment totals<br>$'000 | Reconciliations<br>$'000 | Consolidated totals<br>$'000 |
|---|---|---|---|
| ***Other material items in 2014*** | | | |
| Interest income | 2,070 | 1,977* | 4,047 |
| Finance costs | (21,164) | (13,665)* | (34,829) |
| Capital expenditure | 12,819 | 1,446^ | 14,265 |
| Depreciation, amortisation and impairment | (27,570) | (5,010)^ | (32,580) |
| | | | |
| ***Other material items in 2013*** | | | |
| Interest income | 2,231 | 87* | 2,318 |
| Finance costs | (13,167) | (14,352)* | (27,519) |
| Capital expenditure | 4,315 | 10,272^ | 14,587 |
| Depreciation, amortisation and impairment | (33,025) | (9,083)^ | (42,108) |

* This represents interest income and interest expense that are not allocated to segments, activity driven by Group Treasury, which manages the cash position of the Group.

^ This represents capital expenditure and its related depreciation, amortisation and impairment incurred as a result of the overall business strategy adopted by the Group. The allocation of these resources to the various reportable segments cannot be determined.

# Notes to the Financial Statements

***Geographical information***

| | Revenues $'000 | Non-current assets $'000 |
|---|---|---|
| **31 December 2014** | | |
| Singapore | 232,557 | 1,335,339 |
| Middle East & North Africa | 21,232 | 80,152 |
| People's Republic of China | 47,919 | 486,032 |
| Others | 19,686 | 1,378 |
| | 321,394 | 1,902,901 |
| **31 December 2013** | | |
| Singapore* | 445,112 | 1,197,919 |
| Middle East & North Africa | 22,349 | 82,614 |
| People's Republic of China | 47,276 | 493,865 |
| Others* | 21,053 | 1,237 |
| | 535,790 | 1,775,635 |

* Asia ex-China region was re-presented as "Singapore" and "Others".

***Major customer***

Revenue arising from service concession arrangement relating to one grantor of the Group's municipal segment represents approximately $181,398,000 (2013: $418,286,000) of the Group's total revenues.

## 29 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

***Property, plant and equipment***

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

***Intangible assets***

The fair value of intangible assets received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. The fair value of the construction services provided is calculated as the estimated total cost plus a profit margin which the Group considers as a reasonable margin after taking into account the project value, as appropriate. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received.

# Notes to the Financial Statements

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

***Other investments***

The fair value of other investments is determined using a valuation technique, or if available by reference to indicative non-binding offer by third parties. Valuation techniques employed include market multiples and discounted cash flow analysis using contractual or expected future cash flows as applicable, and a market-related discount rate.

***Trade and other receivables***

The fair value of trade and other receivables, including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

***Derivatives***

The fair value of forward exchange contracts and interest rate swaps are based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

***Share-based payment transactions***

The fair value of the employees' share options is measured using the Black-Scholes standard option valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the grants are not taken into account in determining the fair value of the options.

## 30 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

# Notes to the Financial Statements

***Risk management framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

*Loan and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has a credit policy in place which establishes credit limits for all customers and monitors their balances on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of loan and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

***Intra-group financial guarantees***

The Group's policy is to provide financial guarantees only to subsidiaries and joint ventures.

The credit risk associated with the financial guarantees represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

The Company granted intra-group corporate guarantees to financial institutions in respect of banking facilities provided to its subsidiaries. These financial guarantees will expire when the loans have been repaid and discharged and/or when the banking facilities are no longer available.

# Notes to the Financial Statements

The maximum exposure of the Company in respect of the above intra-group financial guarantee at the end of the reporting period relating to the facilities drawn down by the subsidiaries amounted to $368,730,000 (2013: $367,141,000). The period in which the financial guarantees expire are as follows:

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Within one year | 75,413 | 65,550 |
| From two to five years | 60,014 | 59,191 |
| More than five years | 233,303 | 242,400 |
| | 368,730 | 367,141 |

There are no terms and conditions attached to the financial guarantee contracts that would have material effect on the amount, timing and uncertainty of the Company's future cash flows. The estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumption made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees and therefore, no provision made in respect of such obligations.

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit that can be drawn down to meet short-term financing needs.

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

***Capital management***

The primary objective of the Group's capital management is to support the Group's growth strategy and maximise shareholder value with the optimal capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

# Notes to the Financial Statements

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings, less cash and cash equivalents. Total equity of the Group represents capital for the Group.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Loans and borrowings | 1,132,795 | 1,266,979 |
| Less: Cash and cash equivalents | (444,428) | (243,945) |
| Net debt | 688,367 | 1,023,034 |
| Total equity | 1,341,988 | 886,292 |
| Gearing ratio | 51% | 115% |

From time to time, the Group purchases its own shares on the market pursuant to the Shares Purchase Mandate (the Mandate) obtained at the Annual General Meeting (AGM) on 24 April 2014. During the year, 10,400,000 (2013: Nil) shares were purchased and kept as treasury shares. The Mandate is subject to renewal annually by Shareholders at the AGM.

There were no changes in the Group's approach to capital management during the year.

The Group and its subsidiaries are not subject to externally imposed capital requirements other than the following:

(i) Certain subsidiaries of the Group are required by the Foreign Enterprise Law of the People's Republic of China (PRC) to contribute to and maintain a non-distributable Statutory Reserve Fund (SRF) whose utilisation is subject to approval by the relevant PRC authorities (see note 19).

(ii) The Company is required under financial covenants of certain loan facilities to maintain a consolidated total tangible net worth, including intangible assets arising from service concession arrangements (TNW), for the Group of not less than $160 million; consolidated net borrowings to TNW of not more than 1.5 times; and consolidated earnings before interest, tax, depreciation and amortisation to consolidated interest expenses of at least 3 times.

Separately, the Company is required by one of its loan facilities to maintain a TNW of not less than $300 million; and the interest coverage ratio includes consolidated unencumbered cash.

(iii) Certain subsidiaries of the Group are required under financial covenants of loan facilities to maintain certain debt service coverage ratio, debt to equity ratio and the loan amount to securities ratio.

These externally imposed capital requirements have been complied with by the Company and the relevant subsidiaries for the financial year ended 31 December 2014.

# Notes to the Financial Statements

## 31 OPERATING LEASES

***Leases as lessor***

Non-cancellable operating lease rental are receivable as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Within one year | – | 6,340 |
| From two to five years | – | 6,446 |
| | – | 12,786 |

***Leases as lessee***

Non-cancellable operating lease rentals are payable as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Within one year | 19,766 | 12,908 |
| From two to five years | 63,956 | 40,736 |
| More than five years | 112,396 | 40,495 |
| | 196,118 | 94,139 |

The Group has various operating lease agreements for site equipment, membrane production facilities, office equipment, offices and rental of land. Most leases contain renewable options and some leases contain escalation clauses. The lease terms typically do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

## 32 CAPITAL COMMITMENTS

(i) As at 31 December 2014, the Group has outstanding commitments in respect of uncalled capital of approximately Nil (2013: US$5,100,000) in an associate.

(ii) As at 31 December 2014, the Group has outstanding capital commitments of $5,182,000 (2013: $1,430,000).

# Notes to the Financial Statements

## 33 CONTINGENCIES

The Group has potential contingencies arising from the delayed completion of the construction of the Magtaa desalination plant in Algeria in its capacity as the Engineering, Procurement and Construction (EPC) contractor. Magtaa desalination plant was inaugurated in November 2014. In 2013, the Group filed for extension of time which would invalidate the liquidated damages claim made in 2012 by the project owner. At the same time, the Group also filed a counter-claim amount, arising from the additional work and costs incurred for prolonged delay. The departure from the contractual completion date was primarily caused by various reasons that were beyond the control of the Group, including a fire that broke out in July 2011 which destroyed key materials and equipment, as well as delay in testing and commissioning works due to, amongst other things, lack of power supply by the local government and readiness of the external distribution facilities to take the water. As at 31 December 2014, the Group is still in negotiation with the project owner.

In another desalination project in Algeria which was completed and handed over in 2011, the Group has potential contingencies arising from the delayed completion of the desalination plant in its capacity as the EPC contractor. The project owner claimed for full contractual liquidated damages due to the delay in completion under the EPC contract. On its part, the Group claimed for an extension of the contractual completion date as it had been prevented by the project owner from commencing testing and commissioning works sooner than it was eventually allowed to do so. Furthermore, the Group, in its capacity as the Operation and Maintenance contractor, has a claim against the project owner for unpaid mobilisation fees that it is contractually entitled to. As at 31 December 2014, the Group is still in negotiation with the project owner.

In a separate design and supply of a seawater desalination facility, the customer claimed for liquidated damages from the delay in completion. On its part, the Group in its capacity as the water technology provider for the project, claimed for an extension of the completion deadline as well as prolongation costs as the customer, who is responsible for the civil and structural works for the project, was late in its deliverables thereby obstructing the timely completion of project. As at 31 December 2014, the Group is still in negotiation with the customer.

The Group has potential contingencies arising from delayed completion of a waste water plant construction project with a local government agency. The delay in completion was due to, amongst other things, inclement weather, difficult site conditions, as well as modifications of original specifications from that of tender information. The Group applied for an extension to the project completion date and is negotiating for variation orders for the additional work performed.

On 28 February 2012, the Company announced that it has been served with an Arbitration Notice (the Notice) by the China International Economic and Trade Arbitration Commission. The Notice relates to an arbitration (Arbitration) commenced by an associate of the Group, Ningxia Hypow Bio-Technology Co., Ltd (the Claimant). The Arbitration claim is in respect of certain non-water industrial project works carried out by subsidiaries of the Group for the Claimant. The Company and the subsidiaries involved have filed their defence as well as counter-claims against the Claimant. As at 31 December 2014, the outcome of the Arbitration remains uncertain.

As at 31 December 2014, the Group recorded net provision of $20,000,000 (2013: $20,000,000) for delay in project completion in relation to the above claims. In accordance to paragraph 92 of FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, details of the provision made for each contingent liability were not provided in order not to prejudice the Group's negotiating position.

# Notes to the Financial Statements

## 34 RELATED PARTIES

***Transactions with key management personnel***

*Key management personnel*

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and management committee of the Company and the Group are considered as key management personnel of the Company and the Group.

Key management personnel compensation comprised:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Directors' fees | 478 | 524 |
| Short-term employee benefits | 3,029 | 4,012 |
| Share-based payments | 343 | 697 |
| | 3,850 | 5,233 |
| Comprise amounts paid/payable to: | | |
| - Directors of the Company | 531 | 1,002 |
| - Other key management personnel | 3,319 | 4,231 |
| | 3,850 | 5,233 |

The directors of the Company also participate in the Hyflux Employees' Share Option Scheme. Details of options granted to the directors under the Scheme are described in note 20.

***Other related party transactions***

Other than as disclosed elsewhere in the financial statements, significant transactions carried out in the normal course of business on terms agreed with related parties of the Group are as follows:

| | Transaction value for the year ended 31 December | | Balance outstanding as at 31 December | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Joint ventures** | | | | |
| Revenue from construction contracts | 6,220 | 8,154 | 46,181 | 48,427 |
| Revenue from maintenance contracts | 5,420 | 6,627 | 13,467 | 8,569 |
| Rental income | 156 | 417 | 997 | 930 |
| Service income | 1,531 | 1,950 | 845 | 1,354 |
| **Associates** | | | | |
| Revenue from construction contracts | – | – | 37,080 | 50,256 |
| Revenue from maintenance contracts | 26,796 | 29,893 | 12,388 | 9,253 |
| Service income | 151 | – | 151 | – |

# Notes to the Financial Statements

## 35 SUBSEQUENT EVENTS

- In 2014, the Group entered into conditional sale and purchase agreements to dispose of a leasehold building to a third party. The leasehold building, with a carrying value of $3,953,000 was classified as asset held for sale as at 31 December 2014. Subsequent to year-end, the Group finalised the disposal of the building upon satisfaction of terms and conditions pursuant to the sale and purchase agreements.

- In January 2015, the Company purchased 10,108,300 of its own shares amounting to $9,297,000 pursuant to the share buyback mandate approved by shareholders during the Annual General Meeting held on 24 April 2014. The shares were bought out of profits and are kept as treasury shares of the Company.

- On 13 January 2015, the Company commenced a consent solicitation exercise seeking approval from the holders of each of Series 006, 007, 008, 009 and 010 unsecured notes issued under the $800,000,000 Multicurrency Debt Issuance Programme to amend certain financial covenants of the unsecured notes issued.

  The purpose of the proposed amendments was to (i) raise the threshold for the minimum consolidated tangible net worth to $300,000,000; (ii) to broaden the interest cover covenant to include the unencumbered cash position of the Group; (iii) minor changes to update the definitions of consolidated tangible net worth, consolidated EBITDA and consolidated interest expense; and (iv) align the frequency of providing certain compliance certificates on a semi-annual basis instead of the current quarterly basis with the reporting frequency of the Group’s other facilities.

  On 5 February 2015, the Company obtained approval from the holders of the unsecured notes of each of the series to the financial covenants. A third supplemental trust deed was entered into on the same day.

- On 12 March 2015, the Company granted 5,920,000 share options pursuant to Hyflux Employees’ Share Option Scheme 2011 at an exercise price of $0.858 per share. The validity period of options granted is from 12 March 2015 to 11 March 2025.

# Supplementary Information

### MAJOR PROPERTIES AS AT 31 DECEMBER 2014

| Descriptions | Location | Site area (sqm) | Existing use | Approximate total lettable area (sqm) | Tenure | Group's effective interest (%) |
|---|---|---|---|---|---|---|
| Factory and warehouse building | 8 Tuas South Lane Singapore 637302 | 77,172 | Industrial | 22,262 | 30 years commencing from 1 April 2008 | 100 |
| Factory building** | No. 99 Juli Road Zhangjiang High-Tech Park Pudong Shanghai China 201203 | 5,633 | Commercial | 7,647 | 50 years commencing from 1 January 2002 | 100 |
| Office building | 1307-1309 Centre Plaza 188 Jiefangbei HePing District Tianjin China 300042 | 384 | Commercial | 232 | 50 years commencing from 12 June 1994 | 100 |
| Office building | 1310-1312 Centre Plaza 188 Jiefangbei HePing District Tianjin China 300042 | 428 | Commercial | 257 | 50 years commencing from 12 June 1994 | 100 |
| Office and factory | 8# Factory in FTZ 9# Yang Zi Jiang South Road, Yangzhou Jiangsu Province China 225131 | 18,040 | Commercial | 23,115 | 50 years commencing from 11 November 2005 | 100 |
| Office and factory | No 99 Tai Zhen Road Bin Jiang Industrial Park Taizhou Economic Development Zone Taizhou City Jiangsu Province China 225300 | 25,959 | Commercial | 12,980 | 50 years commencing from 15 October 2007 | 100 |
| Office and factory | Long Gang District Beigang Industrial Park Long Cheng Road Huludao City Liaoning Province China 125003 | 112,556 | Commercial | 93,565 | 50 years commencing from 31 October 2006 | 100 |

** Disposed of subsequent to 31 December 2014.

# Statistics of Shareholdings

**As at 16 March 2015**

**ORDINARY SHARES**

| | | |
|---|---|---|
| Class of ordinary shares | : | Ordinary shares |
| Voting rights | : | One vote per ordinary share |
| Total number of issued ordinary shares | : | 864,530,989 |
| No. of issued ordinary shares (excluding treasury shares) | : | 806,876,689 |
| No. of treasury shares and percentage | : | 57,654,300 (7.14%) |

**DISTRIBUTION OF ORDINARY SHAREHOLDINGS**

| Size of Shareholdings | No. of Ordinary Shareholders | % | No. of Ordinary Shares (Excluding Treasury Shares) | % |
|---|---|---|---|---|
| 1 - 99 | 44 | 0.26 | 1,114 | 0.00 |
| 100 - 1,000 | 1,172 | 6.79 | 993,464 | 0.12 |
| 1,001 - 10,000 | 11,828 | 68.52 | 58,939,272 | 7.30 |
| 10,001 - 1,000,000 | 4,192 | 24.29 | 145,374,231 | 18.02 |
| 1,000,001 AND ABOVE | 25 | 0.14 | 601,568,608 | 74.56 |
| **TOTAL** | **17,261** | **100.00** | **806,876,689** | **100.00** |

**TWENTY LARGEST SHAREHOLDERS**

| No. | Name | No. of Ordinary Shares | % |
|---|---|---|---|
| 1 | OLIVIA LUM OOI LIN | 267,351,211 | 33.13 |
| 2 | DBS NOMINEES (PRIVATE) LIMITED | 143,859,737 | 17.83 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 55,573,215 | 6.89 |
| 4 | HSBC (SINGAPORE) NOMINEES PTE LTD | 36,167,153 | 4.48 |
| 5 | RAFFLES NOMINEES (PTE) LIMITED | 13,504,808 | 1.67 |
| 6 | MURUGASU DEIRDRE | 12,306,267 | 1.53 |
| 7 | DBSN SERVICES PTE. LTD. | 11,371,684 | 1.41 |
| 8 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 10,120,698 | 1.25 |
| 9 | BANK OF SINGAPORE NOMINEES PTE. LTD. | 6,692,339 | 0.83 |
| 10 | PHILLIP SECURITIES PTE LTD | 5,831,276 | 0.72 |
| 11 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 5,343,090 | 0.66 |
| 12 | DB NOMINEES (SINGAPORE) PTE LTD | 4,863,857 | 0.60 |
| 13 | UOB KAY HIAN PRIVATE LIMITED | 4,488,105 | 0.56 |
| 14 | OCBC SECURITIES PRIVATE LIMITED | 3,513,083 | 0.44 |
| 15 | YONG SIEW YOON | 2,800,000 | 0.35 |
| 16 | LEE PINEAPPLE COMPANY PTE LTD | 2,750,000 | 0.34 |
| 17 | LEE SENG TEE | 2,550,000 | 0.32 |
| 18 | KOH LIP LIN | 2,386,183 | 0.30 |
| 19 | MERRILL LYNCH (SINGAPORE) PTE LTD | 2,132,823 | 0.26 |
| 20 | LAW AH TA ARTHUR | 1,796,718 | 0.22 |
| | **TOTAL** | **595,402,247** | **73.79** |

Approximately 49.95% of the Company's ordinary shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

# Statistics of Shareholdings

**As at 16 March 2015**

### 6% CUMULATIVE NON-CONVERTIBLE NON-VOTING PERPETUAL CLASS A PREFERENCE SHARES

**Distribution of Preference Shareholdings**

| Size of Shareholdings | No. of Preference Shareholders | % | No. of Preference Shares | % |
|---|---|---|---|---|
| 1 - 99 | 14,956 | 69.14 | 632,510 | 15.81 |
| 100 - 1,000 | 6,329 | 29.26 | 1,446,830 | 36.17 |
| 1,001 - 10,000 | 335 | 1.55 | 782,020 | 19.55 |
| 10,001 - 1,000,000 | 12 | 0.05 | 1,138,640 | 28.47 |
| **TOTAL** | **21,632** | **100.00** | **4,000,000** | **100.00** |

### TWENTY LARGEST PREFERENCE SHAREHOLDERS

| No. | Name | No. of Preference Shares | % |
|---|---|---|---|
| 1 | DBS NOMINEES (PRIVATE) LIMITED | 534,330 | 13.36 |
| 2 | RAFFLES NOMINEES (PTE) LIMITED | 188,480 | 4.71 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 97,860 | 2.45 |
| 4 | BANK OF SINGAPORE NOMINEES PTE. LTD. | 95,680 | 2.39 |
| 5 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 61,330 | 1.53 |
| 6 | BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH | 49,050 | 1.23 |
| 7 | RONNY SIM | 32,600 | 0.82 |
| 8 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 25,300 | 0.63 |
| 9 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 20,730 | 0.52 |
| 10 | LEE JON YIN RAYMOND | 11,950 | 0.30 |
| 11 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 11,230 | 0.28 |
| 12 | DB NOMINEES (SINGAPORE) PTE LTD | 10,100 | 0.25 |
| 13 | ASEAN FINANCE CORPORATION LTD A.K.A AFC MERCHANT BANK | 10,000 | 0.25 |
| 14 | CHINA TAIPING INSURANCE (SINGAPORE) PTE LTD | 10,000 | 0.25 |
| 15 | GOH EE CHEONG, SUZAN | 10,000 | 0.25 |
| 16 | TAY SOI LEE @ TAY LEE TEE | 9,000 | 0.23 |
| 17 | OCBC SECURITIES PRIVATE LIMITED | 8,530 | 0.21 |
| 18 | OLIVIA LUM OOI LIN | 8,020 | 0.20 |
| 19 | TAN CHIH LEE @ TAN AH SAI | 7,970 | 0.20 |
| 20 | HSBC (SINGAPORE) NOMINEES PTE LTD | 7,960 | 0.20 |
| | **TOTAL** | **1,210,120** | **30.26** |

# Substantial Ordinary Shareholders

**As at 16 March 2015**

| Name of Shareholder | Direct Interest | Deemed Interest | % |
|---|---|---|---|
| Olivia Lum Ooi Lin | 267,351,211 | – | 33.13 |
| Matthews International Capital Management, LLC | – | 67,535,030 [1] | 8.37 |
| Mondrian Investment Partners Limited | – | 66,277,748 [2] | 8.21 |
| Matthews International Funds | – | 65,284,280 [3] | 8.09 |

**Note:**

1 Shares held for the benefit of accounts managed by Matthews International Capital Management, LLC.

2 Mondrian Investment Partners Limited ("Mondrian") is a London-based discretionary investment manager. In respect of assets managed under investment management agreement between Mondrian and its clients, various clients (in this regard) are the beneficial owners of holdings which are held in custody by the client's own appointed custodian.

3 The amount reported includes shares reported by Matthews International Capital Management, LLC which act as Investment Advisor to the Matthews International Funds and its other clients.

# Hyflux Group of Companies

**Singapore**
AcquaSpring Utility (Benghazi) Pte Ltd
AcquaSpring Utility (S) Pte Ltd
AcquaSpring Utility (Tobruk) Pte Ltd
AcquaSpring Utility (Tripoli East) Pte Ltd
Bendemeer Infrastructure Pte Ltd
Eflux Singapore Pte Ltd
Galaxy NewSpring Capital Pte Ltd
Galaxy NewSpring Pte Ltd
Galaxy Operation and Management Pte Ltd
HIH DahejSpring Desalination Pte Ltd
H.J. Technical Consultant Pte Ltd
Hydrochem (S) Pte Ltd
Hydrochem Desalination Technologies (Singapore) Pte Ltd
Hydrochem Engineering (S) Pte Ltd
Hydrochem Membrane Products (Singapore) Pte Ltd
Hyflux Academy Pte Ltd
Hyflux Aquosus (Singapore) Pte Ltd
Hyflux Asset Management Pte Ltd
Hyflux Capital (Singapore) Pte Ltd
Hyflux Caprica Pte Ltd
Hyflux Cleantech Pte Ltd
Hyflux Consumer Products Pte Ltd
Hyflux Construction Engineering (Singapore) Pte Ltd
Hyflux Energy Pte Ltd
Hyflux Engineering Pte Ltd
Hyflux EPC Pte Ltd
Hyflux Filtech (Singapore) Pte Ltd (in members' voluntary liquidation)
Hyflux Filtration (S) Pte Ltd
Hyflux Infrastructure (NJ) Pte Ltd
Hyflux Innovation Centre Pte Ltd
Hyflux International Engineering Pte Ltd
Hyflux International Pte Ltd
Hyflux IP Resources Pte Ltd
Hyflux Lifestyle Products (S) Pte Ltd
Hyflux Management and Consultancy Pte Ltd
Hyflux Membrane Manufacturing (S) Pte Ltd
Hyflux NewSpring Utility (LZ) Pte Ltd
Hyflux O&M Pte Ltd
Hyflux SIP Pte Ltd
Hyflux Utility (India) Pte Ltd
Hyflux Utility (Indonesia) Pte Ltd
Hyflux Utility (Oman) Pte Ltd
Hyflux Utility (YN) Pte Ltd
Hyflux Utility WT (HCWT) Pte Ltd
Hyflux Utility WTP (DZ) Pte Ltd
Hyflux Utility WTP (FN) Pte Ltd
Hyflux Utility WTP (NNWT) Pte Ltd
Hyflux Utility WWT (HCCJ) Pte Ltd
Hyflux Utility WWT (HCHX) Pte Ltd
Hyflux Utility WWT (HCWT) Pte Ltd
Hyflux Utility WWT (ZY) Pte Ltd
Hyflux Utility WWTP (LP) Pte Ltd
Hyflux Utility WWTP (WH) Pte Ltd
Hyflux Water Trust
Hyflux Water Trust Management Pte Ltd
HyfluxShop Pte Ltd
Kallang Infrastructure Pte Ltd
Kallang Spring Pte Ltd
MenaSpring Utility (S) Pte Ltd
MenaSpring Utility (Tlemcen) Pte Ltd
NewSpring Utility Pte Ltd
Serangoon Infrastructure Pte Ltd
SingSpring Trust
TuaSpring Pte Ltd
Yewa Water Company Pte Ltd

**People's Republic of China**
Eflux (Taizhou) Co., Ltd
Galaxy Operation and Management (Shanghai) Co., Ltd
Hydrochem Engineering (Shanghai) Co., Ltd
Hydrochem Desalination Technologies (Shanghai) Co., Ltd
Hydrochem Membrane and Membrane Products (Shanghai) Co., Ltd
Hyflux (Tianjin) Sewage Disposal Co., Ltd
Hyflux (Zunyi) Sewage Disposal Co., Ltd
Hyflux Caojie Sewage Disposal (Chongqing) Co., Ltd
Hyflux Engineering Design (Shanghai) Co., Ltd
Hyflux Engineering (Shanghai) Co., Ltd
Hyflux Filtech (Shanghai) Co., Ltd
Hyflux GaoYang Sewage Disposal (ChongQing) Co., Ltd
Hyflux Hi-tech Product (Yangzhou) Co., Ltd
Hyflux Investment Consultancy and Management Service (Tianjin) Co., Ltd
Hyflux NewSpring (Changshu) Co., Ltd
Hyflux NewSpring (Dafeng) Co., Ltd
Hyflux NewSpring (Dezhou) Co., Ltd
Hyflux NewSpring (Funing) Co., Ltd
Hyflux NewSpring (Guanyun) Co., Ltd
Hyflux NewSpring (Leping) Co., Ltd
Hyflux NewSpring (Liaoyang) Co., Ltd
Hyflux NewSpring (LiaoYangGongChangLing) Co., Ltd
Hyflux NewSpring (Nantong) Co., Ltd
Hyflux NewSpring (Nantong) WT Co., Ltd
Hyflux NewSpring (Nantong) WWT Co., Ltd
Hyflux NewSpring (Taizhou) Co., Ltd
Hyflux NewSpring (Taoyuan) Co., Ltd
Hyflux NewSpring (Tianjin) Co., Ltd
Hyflux NewSpring (Tiantai) Co., Ltd
Hyflux NewSpring (Wuxi) Co., Ltd
Hyflux NewSpring (Wuhu) Co., Ltd.
Hyflux NewSpring (Yangzhou) Co., Ltd
Hyflux NewSpring (Zunhua) Co., Ltd
Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd
Hyflux NewSpring Sewage Disposal (Rudong) Co., Ltd

# Hyflux Group of Companies

Hyflux NewSpring Sewage Disposal (Funing) Co., Ltd
Hyflux NewSpring Water Treatment (Leping) Co., Ltd
Hyflux NewSpring Waste Water Treatment (Mingguang) Co., Ltd
Hyflux NewSpring Water Treatment (Mingguang) Co., Ltd
Hyflux NewSpring WT (Dafeng) Co., Ltd
Hyflux Salt Industry Technology Development (Tianjin) Co., Ltd (in the process of liquidation)
Hyflux Unitech (Shanghai) Co., Ltd
Hyfluxshop (Shanghai) Co., Ltd
Langfang Hyflux NewSpring Co., Ltd
Ningxia Hypow Bio-Technology Co., Ltd
Sinolac (Huludao) Biotech Co., Ltd
Tianjin Dagang NewSpring Co., Ltd
Wuxi Hyflux NewSpring Sewage Disposal Co., Ltd

**Hong Kong**
H.J. NewSpring Limited
Hyflux Utility Water Limited
Hyflux Utility (DF) Limited
Hyflux Utility (HLD) Limited
Hyflux Utility (LP) Limited
Hyflux Utility (PJ) Limited
Hyflux Utility (TJ) Limited
Hyflux Utility (TY) Limited
Hyflux Utility (WX) Limited
Hyflux Utility (YK) Limited
Hyflux Utility (YL) Limited
Hyflux Utility WT (GCL) Limited
Hyflux Utility WT (LY) Limited
Hyflux Utility WT (MG) Limited
Hyflux Utility WT (XC) Limited
Hyflux Utility WT (YL) Limited
Hyflux Utility WT (YKG) Limited
Hyflux Utility WTP (GY) Limited
Hyflux Utility WWT (BC) Limited
Hyflux Utility WWT (GY) Limited
Hyflux Utility WWT (MG) Limited
Hyflux Utility WWT (XC) Limited
Hyflux Utility WWT (YL) Limited
Hyflux Utility WWT (YKG) Limited
Hyflux Utility WWTP (GY) Limited

**British Virgin Islands**
Hyflux Advanced Technology Ltd
Hyflux International Ltd
Hyflux Utility Ltd
Hyflux Water Projects Ltd
IndoSpring Utility Ltd
SinoSpring Utility Ltd
Spring China Utility Ltd
Spring Environment Ltd
Spring Utility Ltd

**Europe**
*France*
Tlemcen Desalination Investment Company SAS

*Netherlands*
Hyflux CEPAration B.V.
Hyflux CEPAration Technologies (Europe) B.V.

*Netherlands Antilles*
Hyflux CEPAration N.V.

**India**
Hyflux Technology India Private Limited
Hyflux Engineering (India) Private Limited
Hyflux Lifestyle Products (India) Private Limited
Swarnim DahejSpring Desalination Private Limited

**Malaysia**
Hyflux (Malaysia) Sdn Bhd
Lautan Biru (L) Berhad

**Middle East and Africa**
*Oman*
Hyflux EPC LLC
Qurayyat Desalination SAOC

*Saudi Arabia*
Lube Oil Re-refining Company
Hydrochem Saudi Limited

*Algeria*
Almiyah Attilemcania SPA
Hyflux Engineering Algeria EURL
Hyflux Operation & Maintenance Algeria EURL
Hyflux-TJSB Algeria SPA
Tahlyat Myah Magtaa SPA

*Mozambique*
Hyflux Infrastructure Business (Mozambique) Limited

*Nigeria*
Yewa Water Company Limited

*South Africa*
RSA Spring Proprietary Limited

**Cayman Islands**
Hyflux Asset Investment (CWF) Ltd
Hyflux Asset Management (CWF) Ltd

# Corporate Information

**BOARD OF DIRECTORS**
Olivia Lum Ooi Lin (Executive Chairman and Group CEO)
Teo Kiang Kok (Lead Independent Director)
Lee Joo Hai (Non-Executive Independent Director)
Gay Chee Cheong (Non-Executive Independent Director)
Christopher Murugasu (Non-Executive Independent Director)
Simon Tay (Non-Executive Independent Director)
Lau Wing Tat (Non-Executive Independent Director)
Gary Kee Eng Kwee (Executive Director)

**KEY MANAGEMENT COMMITTEE**
Olivia Lum Ooi Lin (Chairman)
Gary Kee Eng Kwee
Winnifred Heap
Lim Suat Wah
Wong Lup Wai

**COMPANY SECRETARY**
Lim Poh Fong

**REGISTERED OFFICE**
Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949
Tel : 65 6214 0777
Fax : 65 6214 1211

**AUDITORS**
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-charge (since 2010):
Lau Kam Yuen

**REGISTRAR**
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

**BOARD COMMITTEES:**

**Audit Committee**
Lee Joo Hai (Chairman)
Gay Chee Cheong
Teo Kiang Kok
Lau Wing Tat

**Nominating Committee**
Teo Kiang Kok (Chairman)
Olivia Lum Ooi Lin
Gay Chee Cheong
Christopher Murugasu

**Remuneration Committee**
Gay Chee Cheong (Chairman)
Teo Kiang Kok
Christopher Murugasu

**Risk Management Committee**
Lau Wing Tat (Chairman)
Lee Joo Hai
Teo Kiang Kok
Simon Tay
Christopher Murugasu

**Investment Committee**
Olivia Lum Ooi Lin (Chairman)
Gay Chee Cheong
Gary Kee Eng Kwee
Simon Tay

# Corporate Information

**BANKERS**

Agricultural Bank of China Limited,
Singapore Branch
7 Temasek Boulevard
#30-01/02/03 Suntec Tower 1
Singapore 038987

Arab Bank Plc, Singapore
80 Raffles Place
#32-20 UOB Plaza 2
Singapore 048624

Arab Banking Corporation (B.S.C)
9 Raffles Place
#60-03 Republic Plaza
Singapore 048619

Australia and New Zealand
Banking Group Limited,
Singapore Branch
10 Collyer Quay,
#30-00 Ocean Financial Centre
Singapore 049315

Bangkok Bank Public Company Limited
180 Cecil Street
Bangkok Bank Building
Singapore 069546

Bank of China Limited,
Singapore Branch
4 Battery Road, 15th Floor
Bank of China Building
Singapore 049908

Bank of Communications Co., Ltd,
Singapore Branch
50 Raffles Place
#18-01 Singapore Tower
Singapore 048623

Bank of Taiwan, Singapore Branch
80 Raffles Place
#28-20 UOB Plaza 2
Singapore 048624

BNP Paribas, Singapore Branch
10 Collyer Quay #34-01
Ocean Financial Centre
Singapore 049315

Chang Hwa Commercial Bank Ltd,
Singapore Branch
No. 1 Finlayson Green, #08-00
Singapore 049246

CTBC Bank Co., Ltd,
Singapore Branch
8 Marina View #33-02
Asia Square Tower One
Singapore 018960

Citibank, N.A.
8 Marina View
#21-01 Asia Square Tower 1
Singapore 018960

DBS Bank Ltd
12 Marina Boulevard
DBS Asia Central @ Marina Bay
Financial Centre Tower 3
Singapore 018982

First Commercial Bank,
Singapore Branch
77 Robinson Road #01-01
Singapore 068896

ICICI Bank Limited
9 Raffles Place #50-01
Republic Plaza
Singapore 048619

ING Bank N.V., Singapore Branch
9 Raffles Place, #19-02 Republic Plaza,
Singapore 048619

The Hongkong and Shanghai Banking
Corporation Limited
21 Collyer Quay #01-00
HSBC Building
Singapore 049320

Japan Bank for
International Cooperation
9 Raffles Place #51-02
Republic Plaza
Singapore 048619

KfW IPEX-Bank GmbH
6 Shenton Way, OUE Downtown 2
#20-11
Singapore 068809

Land Bank of Taiwan, Singapore Branch
80 Raffles Place
#34-01 UOB Plaza 1
Singapore 048624

Malayan Banking Berhad
2 Battery Road #16-01
Maybank Tower
Singapore 049907

Mega International Commercial
Bank Co.,Ltd.,
Singapore Branch
80 Raffles Place
#23-20 UOB Plaza II
Singapore 048624

Mizuho Bank, Ltd.,
Singapore Branch
168 Robinson Road
Capital Tower #13-00
Singapore 068912

Natixis, Singapore Branch
50 Raffles Place
#41-01 Singapore Land Tower
Singapore 048623

Norddeutsche Landesbank Girozentrale,
Singapore Branch
6 Shenton Way #16-00
DBS Building Tower 2
Singapore 068809

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street #10-00
OCBC Centre
Singapore 049513

Standard Chartered Bank
8 Marina Boulevard, Level 24
Marina Bay Financial Centre (Tower 1)
Singapore 018981

Sumitomo Mitsui Banking Corporation,
Singapore Branch
3 Temasek Avenue #06-01
Centennial Tower
Singapore 039190

The Bank of East Asia Limited,
Singapore Branch
137 Market Street
BEA Building
Singapore 048943

The Bank of Tokyo-Mitsubishi UFJ, Ltd
Singapore Branch
9 Raffles Place #01-01
Republic Plaza
Singapore 048619

United Overseas Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

**Hyflux Ltd**
Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949

Company reg. no.: 200002722Z

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