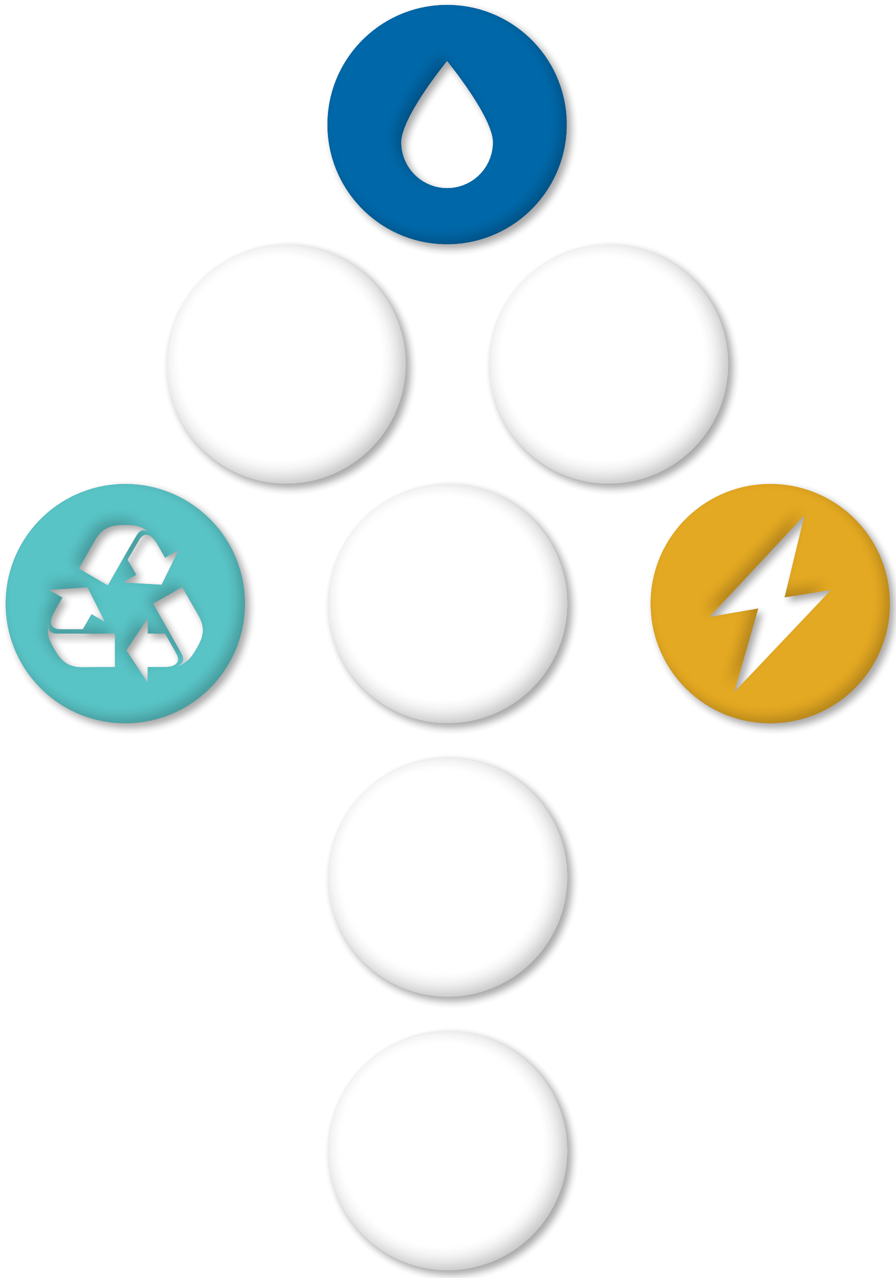
Hyflux®



SUSTAINABLE SOLUTIONS THAT TRANSFORM LIVES

ANNUAL REPORT 2017

Our Vision

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

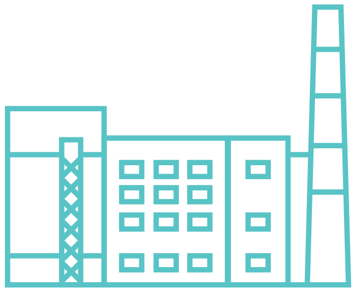
Our Mission

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

Creating Greater Value through Innovation

As a global provider of sustainable solutions, the Hyflux Group is committed to resource optimisation and sustainable development. A specialist in water treatment and among the top global desalination plant providers, Hyflux is distinctive in its ability to address the challenges at every point of the water value chain. The Group has expanded its offerings to include power generation and waste-to-energy. It also entered into the wellness industry with the ELO brand to broaden its consumer market portfolio.

Headquartered and listed in Singapore, the Group employs over 2,500 employees worldwide. Hyflux's track record spans across Asia, the Middle East and Africa. It includes one of the world's largest seawater reverse osmosis desalination plants in Algeria and Asia's first Integrated Water and Power Project in Singapore.



TUASONE WTE

Singapore's sixth and largest waste-to-energy plant, cementing Hyflux's position as an integrated environmental solutions provider

QURAYYAT IWP

Hyflux's project in Oman, with a desalination capacity of 200,000m³/day ≈ 17% of Oman's peak water demand

Contents

Group Financial Highlights

Key Financial Data

For years ended 31 December

(S$'000)	2013	2014	2015 [1]	2016 [2]	2017
Revenue	535,790	321,394	445,241	830,634	353,629
Profit/(loss) before tax	51,623	53,060	49,954	142,939	(37,086)
Profit/(loss) after tax	42,896	58,813	56,649	124,098	(33,670)
Profit/(loss) (excluding Tuaspring) attributable to shareholders	N.A.	N.A.	N.A.	118,323	(34,462)
Profit/(loss) attributable to shareholders	44,026	57,469	52,450	3,833	(116,352)
Shareholders' equity [3]	882,574	1,337,181	1,298,645	1,526,760	982,015
Total assets	2,396,505	2,741,715	3,036,532	3,842,403	3,653,225
Net assets	886,292	1,341,988	1,312,028	1,548,086	1,007,562
Net asset value per share (cents)	58.35	56.57	55.65	44.96	14.13
Earnings/(Loss) per share (excluding Tuaspring)(cents) [4]	N.A.	N.A.	N.A.	6.95	(11.37)
Earnings/(Loss) per share (cents) [4]	2.42	1.66	0.35	(7.63)	(21.79)
Dividend per share (cents)	2.30	2.30	1.70	0.45	1.78
Return on revenue (%)	8.2	17.9	11.8	0.5	(32.9)
Return on equity (%) [3]	5.0	4.3	4.0	0.3	(11.8)

N.A.: Not applicable

(1) Except for revenue and dividend per share, all figures in FY2015 were restated to include an adjustment of S$11.2 million to the provisional fair value initially recorded for the acquisition of the additional stake in Tianjin Dagang, upon completion of an independent fair value assessment in FY2016.

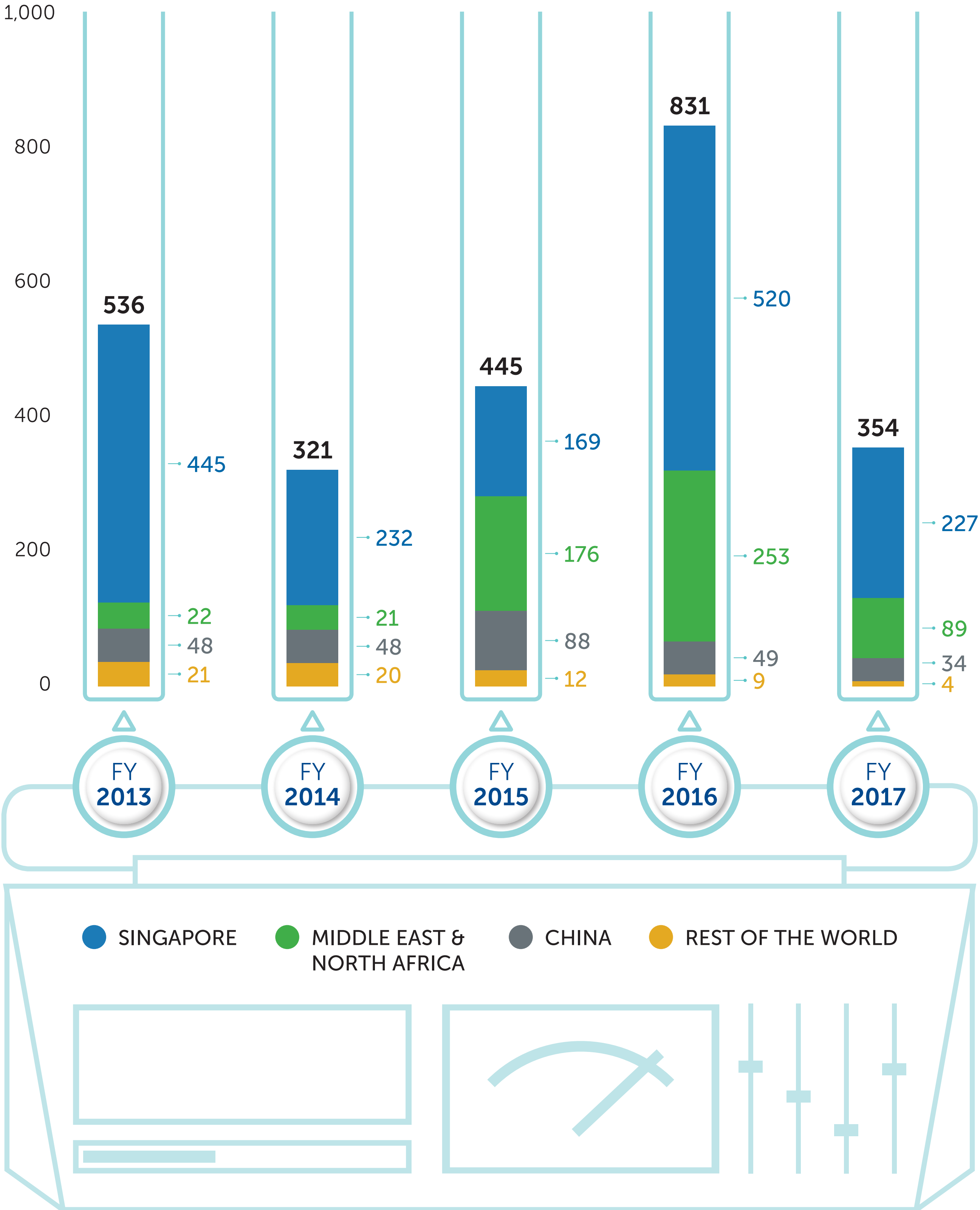
(2) Except for dividend per share, all figures in FY2016 were restated to account for the classification of Tuaspring as Held for Sale and the reinstatement of Tianjin Dagang from Held for Sale.

(3) Equity included the 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares (CPS) and perpetual securities. Excluding CPS and perpetual securities, FY2017 shareholders' equity was S$95 million.

(4) Adjusted for the effect of CPS of S$400 million. FY2014 to FY2017 were also adjusted for the effects of perpetual securities. Please refer to note 24 of the financial statements for the effects of CPS and perpetual securities on the computations of earnings/(loss) per share, and profit attributable to ordinary shareholders.

Group Revenue by Geographical Region

S$ million



Message from Executive Chairman & Group Chief Executive Officer

Hyflux is in a capital intensive infrastructure business. We have consistently adopted an asset light strategy which enables us to recycle our capital and invest into new infrastructure projects.

Olivia Lum
Executive Chairman &
Group Chief Executive Officer

Dear Stakeholders,

2017 was marked with challenges. The global economy continued to show subdued growth, with depressed oil prices and few good infrastructure projects available for tender. This is despite growing concern over shortage of clean drinking water in many parts of the world, most notably the recent crisis to grip South Africa's Cape Town where the worst drought in a century is driving the city's water supply dry. To be sure, Cape Town is not alone in facing water scarcity challenges and many urban cities around the world are starting to realise that upgrading water infrastructure needs to happen sooner rather than later. We believe that this bodes well for the water industry, and as a global leader in seawater desalination, Hyflux is well-positioned to benefit from this trend in the medium to long term.

Closer to home, the weak power market in Singapore drove losses for the first time in Hyflux's history. The oversupply of gas in the market has

led to weak electricity prices. This is an industry-wide issue affecting all power generation companies in Singapore, and is expected to persist in the near term. As a result of the weak electricity market, we issued our first profit guidance in July 2017 to inform our stakeholders of the impact on our financial performance. Nevertheless, we believe that the current losses in the Singapore power market is not sustainable for the industry, and also not sustainable for Singapore given the importance of power to Singapore's economy and status as a financial hub. The long term outlook for the Singapore power market remains positive.

For the full year 2017, the Group's revenue was S$353.6 million and loss after tax and minority interest was S$116.4 million, with Tuaspring Integrated Water and Power Project (IWPP) accounting for majority of the losses. During the year, we also recorded lower level of engineering, procurement and construction (EPC) activities as the Qurayyat Independent Water Project (IWP) in the Sultanate of Oman entered its final stages of testing and commissioning. We have also been busy with the construction of the TuasOne Waste-to-Energy (WTE) Plant in Singapore, currently on track for completion in 2019. Once completed, it will be the largest waste-to-energy plant in Singapore which firmly cements Hyflux as an integrated environmental solutions provider.

Asset Light Strategy and Capital Recycling

Hyflux is in a capital intensive infrastructure business. We have consistently adopted an asset light strategy which enables us to recycle our capital and invest into new infrastructure projects. During 2017, we successfully completed the divestment of our stake in 24 China water assets held through Galaxy NewSpring Pte Ltd. This was followed by the successful sale and partial leaseback of our Tuas manufacturing facility, which netted a gain of S$40.2 million. We have also announced our intention to divest the Tianjin Dagang Desalination Plant in China as well as partially divest the Tuaspring IWPP in Singapore. These divestments are ongoing, although taking longer than initially anticipated.

Despite the near-term challenges in the Singapore power market, Tuaspring IWPP is still a world-class project with a 25-year service concession up to 2038. The largest asset on our balance sheet, Tuaspring IWPP was funded through a mix of project financing and corporate financing, including the 6% Cumulative Perpetual Class A Preference Shares (Preference Shares) which is due for first call date redemption in April 2018. While the process has taken longer than initially expected, we remain committed to the partial divestment of Tuaspring IWPP at an acceptable price. In light of the delay in divestment, the Group is unlikely to complete any

Message from Executive Chairman & Group Chief Executive Officer

divestment deal ahead of the first call date in April 2018 for redemption of its Preference Shares. Consequently, it is likely that redemption of the Preference Shares will be deferred until divestment of Tuaspring IWPP is concluded, with the coupon yield for the Preference Shares stepping up from 6% to 8% in the meantime, at an additional S$8.0 million per annum.

At the end of 2017, the Group has a total cash balance of S$314.2 million, excluding another S$77.2 million of cash reported under Assets held for sale. In addition, we will be able to progressively draw down on unutilised committed project finance loans of approximately S$400 million to support completion of our ongoing projects. We are also due to collect some receivables for our EPC work done in the Middle East North Africa (MENA) region.

Opportunities in the Water Business

Some 1.1 billion people worldwide lack access to water, and a total of 2.7 billion find water scarce for at least one month of the year according to World Wildlife Fund (WWF organisation). Inadequate sanitation is also a problem for 2.4 billion people, who are exposed to diseases such as cholera, typhoid and other water-borne illnesses. Two million people, mostly children, die each year from diarrheal diseases alone. The situation will only get worse. With pollution, climate change and population growth, two-thirds of the world's population may face water shortages by 2025.

Hyflux's vision has always been to make clean water accessible and affordable to all. As one of the few water companies with a proven track record in seawater desalination, we hope to leverage our strength in water treatment solutions to address the global water shortages.

Besides gaining stronger foothold in Singapore, the Group has also expanded our ELO business line into Australia, China, Hong Kong, Malaysia and will be looking at South Korea and Taiwan next.

Global Water Intelligence reported in 2017 that the MENA region will remain the largest desalination market in the world due to severe water scarcity. This region has been a strategic priority for Hyflux, and through the years, we have worked hard to establish a strong track record. Apart from water projects in Algeria, Oman and Saudi Arabia, Hyflux will continue to actively pursue other projects in the region.

Contract negotiations for the Ain Sokhna IWPP in Egypt, which is converting from an EPC structure to a Build, Operate and Transfer (BOT) structure, is in progress.

Strengthening our track record in landmark projects

Over the years, Hyflux has built an impressive track record of landmark projects in its target markets. In an industry where track record is the key to pre-qualification for municipal projects, we continue to work hard on adding good projects to our portfolio.

Tuaspring IWPP is a significant technological achievement for the Group despite the short term challenges in the Singapore power market. As the Group's first integrated water and power project, Tuaspring IWPP is a world-class asset with state-of-the-art technology, paving the way for new integrated water and power project wins such as the Ain Sokhna IWPP in Egypt.

A global player in seawater desalination, Hyflux already has a strong portfolio of large seawater desalination projects under its belt. In the coming months, we will be adding the Qurayyat IWP in Oman to this list.

Breaking new ground, we are in the midst of developing the TuasOne WTE Plant in Singapore. With an incineration capacity of 3,600 tonnes per day, when completed in 2019, this iconic plant will be one of the largest waste-to-energy plants in the world.

With the hard work that has gone into expanding our track record beyond seawater desalination to include power generation and waste-to-energy, I believe the Group is well-positioned to offer infrastructure solutions to address the needs of municipalities worldwide.

Gaining strong foothold in the consumer market

This year has been an exciting year for our consumer business. Besides gaining stronger foothold in Singapore, the Group has also expanded our ELO business line into Australia, China,

Ongoing construction of TuasOne WTE Plant

Hong Kong, Malaysia and will be looking at South Korea and Taiwan next.

The launch of our flagship ELO Water Therapy Centre in November 2017 was a significant milestone for the Group. Located in central Singapore, the ELO Water Therapy Centre provides a convenient alternative to the original ELO Lab located at City Square Mall. We hope that the two centres, together with our ELO product range, will play a part in enhancing Singapore's attractiveness as the region's wellness and healthcare services hub.

As a water company founded on technology, we believe it is important to provide scientific and empirical validation to the many positive anecdotes from our ELO products users. The first set of human clinical trials with Changi General Hospital in Singapore to ascertain the efficacy of ELO Water on diabetes control and diabetic foot ulcers is already in progress. We are looking forward to the results of the clinical trials when the studies are completed. There are also plans to test the effects of ELO Water on sports performance. More details will be shared at a later stage.

Message from Executive Chairman & Group Chief Executive Officer

Spinning off the Group's Consumer Business

As a global provider of sustainable solutions, the Group has always placed its focus on the large municipal projects. For the past year, however, it became evident that the consumer business, though still relatively small, has been growing rapidly. In order to maximise the potential of this fast-growing consumer business, and capitalise on worldwide trends towards the health and wellness industry, the Group decided to spin off its consumer portfolio under the HyfluxShop Group. With the aim to provide solutions that can improve health and well-being of consumers, HyfluxShop is made up of three main product lines: consumer lifestyle products, ELO Water and its related products and services, and ELO Green products.

In December 2017, we proposed a dividend *in specie* of 70% of the shares in HyfluxShop. Entitled ordinary shareholders of Hyflux will receive 1 HyfluxShop share for every 10 Hyflux shares owned. Hyflux will continue to hold approximately 30% of HyfluxShop shares after the distribution.

One of the key benefits of this distribution is to enable you, as shareholders, to directly own a stake in HyfluxShop without any capital investment. You get to participate in the growth of HyfluxShop from the beginning and enjoy the potential appreciation in value of this business in the future. We also believe that separating HyfluxShop will provide better visibility to this business and enable a valuation that is more reflective of its underlying value and potential. To finance its growth, it is likely that HyfluxShop will require additional funding which can be raised directly without taxing the Hyflux Group. Depending on future growth and market conditions, the HyfluxShop Group is expected to be in a position to consider listing on a stock exchange.

This proposed distribution was strongly supported by Hyflux's shareholders during the Extraordinary General Meeting on 1 February 2018, and the distribution of HyfluxShop shares was successfully completed on 15 February 2018. I would like to take this opportunity to thank all shareholders for your continued confidence in the Group.

Balancing sustainability and growth

At Hyflux, we work hard every day towards our vision to offer sustainable solutions that transform lives. We view sustainability development and its responsibility central to how we operate and how we behave as a corporate body. We believe in the importance of striking a balance between business, social and environmental objectives.

On the social front, Hyflux has embarked on Corporate Social Responsibility (CSR) projects including blood donation drives at our corporate office. In line with the health benefits of ELO, we have also directed our CSR efforts towards health-related causes such as diabetes, and supported the TOUCH Diabetes Cycling Fundraising as well as the World Diabetes Day 2017.

Water dispensers designed and installed by Hyflux at WRS parks

On the environmental front, Hyflux is committed to reuse, reduce and recycle whenever and wherever we can, to protect natural resources for communities and to lessen the impact on our environment. In 2016, in support of Wildlife Reserves Singapore (WRS) Go Green for Wildlife campaign, we developed and installed customised potable water dispensers at the Singapore Zoo to encourage park guests to use refillable bottles. We have since installed a total of 27 customised water dispensers across all four WRS parks including the River Safari, Night Safari and Jurong Bird Park. I am happy to share that more than 1,000,000 bottles of water has been dispensed till date.

We have also started a recycling program for empty ELO Water bottles where customers may return their empty ELO Water bottles to our delivery team or to our ELO Water centres. These collected bottles will be further processed to be reused in many other applications in an effort to give plastic bottles a new lease of life. We will continue to implement more initiatives and efforts for sustainability development.

Moving forward

Delivering innovative and sustainable environmental solutions to the world will remain core to the Group's business. Municipal and industrial projects have always been the Group's main revenue driver and we will continue to leverage our strength and experience to pursue sustainable business growth in these segments. We will also continue to focus on technology innovation to stay ahead of the competition, and hone our distinct advantage.

Beyond municipal and industrial projects, Hyflux will continue to build up our edge in our consumer segment through HyfluxShop. Besides working to establish stronger presence in Singapore and the region, we will continue to invest in research and development to develop new applications for the HyfluxShop business line to meet the evolving needs of health and wellness for our consumers.

Thank You

On behalf of the Board, I would like to thank our shareholders, customers, business partners and employees for your strong support and dedication to the Group.

2018 is expected to be another challenging year, but with Hyflux's boldness, entrepreneurial spirit, customer satisfaction focus, and teamwork, I am confident that we will be able to overcome the obstacles ahead and achieve greater results and milestones.

Olivia Lum
Executive Chairman &
Group Chief Executive Officer

Board of Directors

Olivia Lum
Executive Chairman & Group Chief Executive Officer

First appointment: 31 Mar 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 since its inception, 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 board of Singapore Technologies Engineering Ltd till 20 April 2018. Ms Lum has recently stepped down from the boards of Singapore Mediation Centre and International Enterprise Singapore.

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

First appointment: 19 Dec 2000
Last reappointment: 27 Apr 2016

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, 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 a senior consultant to SLB.

Mr Teo also serves on the boards of IPC Corporation Ltd, 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.

Gay Chee Cheong

Non-Executive
Independent Director

First appointment: 3 Aug 2001
Last reappointment: 27 Apr 2016

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.

Mr Gay is a Board member of CapitaMall Trust Management Limited and chairs the Investment and Divestment Committee at Heliconia Capital Management Private Limited. He is also the Deputy Chairman of the Board of Governors of Temasek Polytechnic.

Mr Gay graduated from the Royal Military Academy, 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 as well as a Master of Business Administration from the National University of Singapore.

Lee Joo Hai

Non-Executive
Independent Director

First appointment: 19 Dec 2000
Last reappointment: 27 Apr 2016

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 Chartered Accountants in England and Wales, and Institute of Directors of both Singapore and Hong Kong. He has more than 30 years of experience in accounting and auditing.

Mr Lee is currently a director of Raffles United Holdings Ltd, Agria Corporation, Lung Kee Metal Holdings Ltd, SinoCloud Group Limited and PGG Wrightson Limited.

Board of Directors

Christopher Murugasu

Non-Executive
Independent Director

First appointment: 1 Feb 2005
Last reappointment: 28 Apr 2017

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.

Lau Wing Tat

Non-Executive
Independent Director

First appointment: 1 Jul 2014
Last reappointment: 28 Apr 2017

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 and a member of the Investment Committee of the Singapore University of Social Sciences.

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

Gary Kee

Non-Executive Non-Independent Director

First appointment: 3 May 2011
Last reappointment: 28 Apr 2017

Mr Kee is a Non-Executive Non-Independent Director and a member of the Board's Investment Committee. In May 2013, Mr Kee assumed the role of Executive Director, a position he held till December 2015. At various points during this period, Mr Kee had responsibilities for Corporate Finance, Information Technology, Internal Audit and Corporate Marketing functions at Hyflux.

Mr Kee was also previously 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 in Hewlett Packard.

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 Master of Business Administration from the University of Texas at Arlington in the USA.

Simon Tay

Non-Executive Independent Director

First appointment: 3 May 2011
Last reappointment: 29 Apr 2015

Mr Tay is a Non-Executive Independent Director and also a member of the Board's Risk Management and Investment Committees. He is appointed as Commissioner at PT Oasis (Indonesia), in which Hyflux has 50% indirect interest.

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 is a Global Advisor to the Mitsubishi United Financial Group and an Independent Director on private boards for LGT Bank of Liechtenstein and Far East Organization. Mr Tay is also an Independent Director of Top Glove Corporation Bhd, a Bursa Malaysia listed company having a secondary listing on SGX.

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 with a Masters in Law from Harvard Law School (1993).

Key Management Committee

Hyflux's Key Management Committee is responsible for driving the Group's strategic vision. It formulates plans to achieve business goals, creates the conditions for successful day-to-day operations and delivers long-term value for all stakeholders.

Olivia Lum
Executive Chairman
& Group Chief Executive Officer

Lim Suat Wah
Group Executive Vice President
& Group Chief Financial Officer

Wong Lup Wai
Group Executive Vice President
& Group Chief Operating Officer

Cheong Aik Hock
Group Executive Vice President
& Chief Executive Officer of
Tuaspring Pte Ltd

Chang Cheow Teck
Group Executive Vice President,
Operations

Management Committee

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

Kum Mun Lock
Group Senior MD,
Business Development

Peter Wu
Group Senior MD,
Business Development

Roland Ang
Group Senior MD,
Business Development

Stuart McWilliams
Group Senior MD,
Operations & Maintenance

Parmesh Singh s/o Haachand Singh
Group Senior MD, Engineering,
Procurement & Construction

Nah Tien Liang
Group Senior VP, Investment

Chong Lee Lee
Group Senior VP,
Human Resources

Pang Yeong Piao
Group Senior VP,
Legal Business

Yoong Kang Chee
Group MD, China

Lee Yih Gia
Director,
Commercial & Contracts

Zech Lung
Group VP, Purchasing

Geographical Presence

Landmark Projects

Desalination Plants

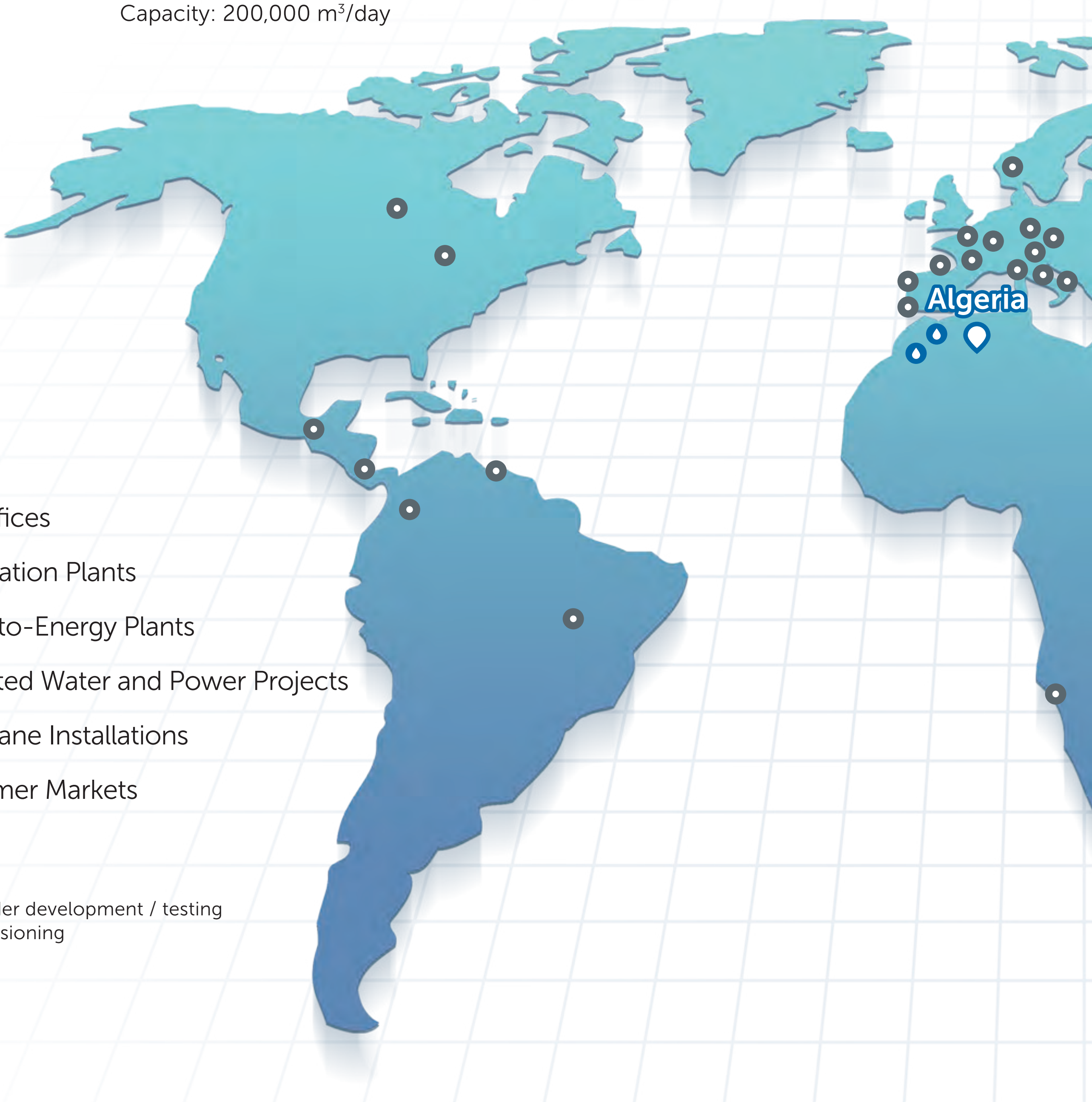
Magtaa Desalination Plant, Algeria
Capacity: 500,000 m^3/day

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

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

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

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



- Our Offices
- Desalination Plants
- Waste-to-Energy Plants
- Integrated Water and Power Projects
- Membrane Installations
- Consumer Markets

* Projects under development / testing and commissioning

Waste-to-Energy Plants

TuasOne Waste-to-Energy Plant, Singapore*
Capacity: 3,600 tonnes/day

Integrated Water and Power Projects

Tuaspring Integrated Water and Power Project, Singapore
Capacity: 318,500 m^3/day and 411 MW

Ain Sokhna Integrated Water and Power Project, Egypt*
Capacity: 150,000 m^3/day and 457 MW

Financial Review

For years ended 31 December

(S$ million)	2016[1]	2017[1]	% change
Revenue	830.6	353.6	(57)
Profit/(Loss) before tax	142.9	(37.1)	NM
Profit/(Loss) (excluding Tuaspring) attributable to shareholders	118.3	(34.5)	NM
Profit/(loss) attributable to shareholders	3.8	(116.4)	NM
Earnings/(Loss) (excluding Tuaspring) per share (cents)	6.95	(11.37)	NM
Earnings/(Loss) per share (cents) [2]	(7.63)	(21.79)	>100

(1) Tuaspring results presented separately
(2) Adjusted for the effect of CPS of S$400 million. FY2016 and FY2017 were also adjusted for the effects of perpetual securities. Please refer to note 24 of the financial statements for the effects of CPS and perpetual securities on the computations of earnings/(loss) per share, and profit attributable to ordinary shareholders.
NM: Not meaningful

Group Revenue By Segment
(S$ million)

Overview

In 2017, Hyflux as a Group reported revenue of S$353.6 million (excluding Tuaspring IWPP), approximately 57% lower as compared to 2016. This was due mainly to lower revenue from EPC activities, in line with the respective planned construction phases of the two major projects, namely the TuasOne WTE Plant in Singapore and the Qurayyat IWP in the Sultanate of Oman.

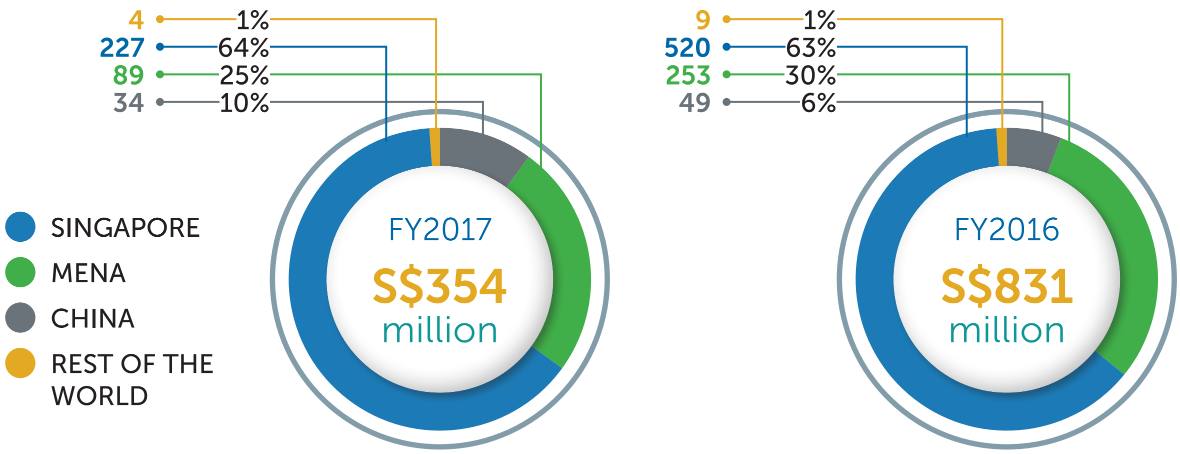
Loss attributable to the shareholders of the Company, excluding Tuaspring IWPP, was S$34.5 million for 2017, versus a profit of S$118.3 million in 2016.

Tuaspring IWPP has been classified as Held of Sale following the announcement of planned partial divestment. The power market in Singapore remained weak, resulting in losses from Tuaspring IWPP of S$81.9 million in 2017 against S$114.5 million in 2016.

Including Tuaspring IWPP, the Group reported loss attributable to shareholders of S$116.4 million. Basic loss per share, adjusted for dividends on perpetual preference shares and perpetual securities, was 21.79 cents for 2017.

Group Revenue By Geographical Region

(S$ million)



Hyflux reported the following key corporate activities in 2017:

- In January 2017, Hyflux completed the full redemption of the S$300 million 5.75% perpetual securities at 100% of the principal amount, on the first call date, together with interest accrued, in accordance with the terms of the capital securities.

- In March 2017, the divestment of its 50% equity interest in Galaxy Newspring Pte Ltd (Galaxy) was completed and Hyflux received the remaining proceeds of US$126.5 million. In addition to the sale proceeds, the short-term loan of US$56.1 million was also repaid, following completion of the divestment.

- In December 2017, Hyflux concluded the sale and partial leaseback of the Tuas Manufacturing Hub at 8 Tuas South Lane with a net gain of S$40.2 million and received sales proceeds of S$95.0 million.

- In December 2017, the Group announced a proposed dividend *in specie* of approximately 70% of the ordinary shares in HyfluxShop Holdings Ltd (formerly known as HyfluxShop Holdings Pte. Ltd.) (HyfluxShop). HyfluxShop is the consumer arm of Hyflux, focusing on the health and wellness segment. The proposed dividend *in specie* allows the shareholders of Hyflux to, *inter alia*, participate in the growth of HyfluxShop free of payment. The proposed dividend *in specie* was completed in February 2018.

The Tianjin Dagang was classified as Held for Sale in FY2016 when the Group initiated the process to divest its entire stake in the plant. While the Group remains committed to the divestment of the Tianjin Dagang, the sale process has extended beyond one year. As the criteria set out in the Singapore Financial Reporting Standards are no longer met, the Group reinstated Tianjin Dagang into the Group's balance sheet as at 31 December 2017.

In line with the Group's asset light strategy, Hyflux commenced the process to partially divest its interest in the Tuaspring IWPP. Accordingly, identified assets and liabilities of Tuaspring IWPP were classified as Held for Sale as at 31 December 2017.

Financial Review

Revenue

The lower EPC activities for the TuasOne WTE Plant and Qurayyat IWP drove lower revenue contributions from the municipal sector, which dropped to approximately 82% or S$292.0 million of the total revenue in 2017. In 2016, the municipal sector contributed 97% or S$806.1 million of the Group's revenue.

Industrial revenue for 2017 grew to S$56.4 million, accounting for 17% of the Group's revenue, largely contributed from EPC projects in the Kingdom of Saudi Arabia. This compares against industrial revenue contribution of 2% or S$19.5 million in 2016.

The Singapore market, the key market of the Group, contributed 64% to the Group's total revenue in 2017, approximating 2016's contribution of 63%. The revenue contribution from the Singapore market of S$226.8 million in 2017 was a decline from revenue in 2016 of S$520.4 million. The lower revenue from the Singapore market was mainly due to the lower EPC activities for the TuasOne WTE Plant.

Revenue from MENA region was 25% or S$88.7 million in 2017, lower than last year which contributed 30% or S$252.5 million, mainly driven by lower EPC activities in the Qurayyat IWP.

The China market contributed 10% or S$33.9 million of the Group's total revenue in 2017, mainly from Tianjin Dagang.

Rest of World accounted for 1% each of total revenue in 2017 and 2016.

Other Income, Costs and Expenses

Other income for the Group of S$114.5 million for 2017 was higher than 2016 largely due to a gain from the disposal and partial leaseback of the Tuas Manufacturing Hub of S$40.2 million and a gain of S$16.5 million from the disposal of the Group's 50% stake in its joint venture, Galaxy. The increase was offset by lower interest income on shareholder's loan extended to Tuaspring IWPP, the results of which are presented separately.

Staff costs increased in 2017, due largely to the TuasOne WTE Plant, currently in a manpower-intensive phase of construction.

Higher other expenses recorded at S$104.9 million arose mainly due to costs incurred for certain projects, provision for doubtful receivables following assessment of certainty of collectability, higher machinery rental for projects and forex loss.

Depreciation, amortisation and impairment of S$28.9 million increased due to the impairment of the carrying cost of an investment in an associate amounting to S$6.7 million.

Increase in finance costs related mainly to the additional drawdown for the Group's project financing, following project milestone achievements.

Balance Sheet Review

The Group's shareholder's equity decreased from S$1.5 billion as at 31 December 2016 to S$1.0 billion as at 31 December 2017. The decrease was mainly contributed by the redemption of perpetual securities of S$295.0 million in January 2017 and the losses incurred from operations for the year.

Subsequent to the Group's initiation to partially divest its equity interest in Tuaspring IWPP, the identified assets and liabilities of Tuaspring IWPP were classified as assets/liabilities held for sale. Tianjin Dagang ceased to be classified as Held for Sale as it no longer meets the requirement under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. As at 31 December 2017, the assets and liabilities held for sale related largely to Tuaspring IWPP. The Galaxy portfolio was no longer included in the assets held for sale following the completion of divestment in March 2017. The classification of Tuaspring IWPP as Held for Sale led to a shift from non-current assets and non-current liabilities to current assets and current liabilities respectively.

Total assets declined marginally from S$3.8 billion as at 31 December 2016 to S$3.7 billion as at 31 December 2017 mainly attributable to impairment in net carrying value of investment in associate and related receivables, lower cash balance due to utilisation for operating activities, payment of interest and dividends, and redemption of the perpetual securities of S$295.0 million.

Total liabilities increased marginally from S$2.3 billion as at 31 December 2016 to S$2.6 billion as at 31 December 2017 due mainly to the drawdown of the long-term secured project financing loans, offset by net settlement of trade payables for the TuasOne WTE Plant and Qurayyat IWP.

Cash Flows

Net cash of S$214.1 million were used in the Group's operating activities in 2017, mainly towards the Group's investments in projects with service concession arrangements. Excluding cash used in these projects, the Group generated a net cash outflow from operating activities of S$51.8 million for 2017 and a net cash inflow from operating activities of S$414.6 million for 2016.

Cash from investing activities of S$332.9 million in 2017 was mainly due to the proceeds of S$95.0 million from the sale and partial leaseback of the Tuas manufacturing facility, net proceeds from the disposal of Galaxy of S$190.8 million and the repayment of the short-term loan extended to Galaxy of S$79.6 million, following the completion of the divestment.

Net cash used in financing activities of S$47.6 million were mainly for the redemption of S$295.0 million perpetual securities, repayment of bank loans, payments of dividends and interest during the period, offset by the proceeds from secured project finance loans for the Group's projects.

At the end of 2017, the Group recorded total cash balance of S$314.2 million, excluding another S$77.2 million of cash reported under Assets held for sale.

Operating Review

Engineering, Procurement and Construction

Focusing on project deliverables in the MENA region

The water sector is one of the most active in the MENA region, one of the most water-stressed regions in the world, with more than US$100 billion needed a year to close the increasing water gap. MENA has been a key market for Hyflux, and for the past year, we have been actively executing our project deliverables in the region.

In Oman, the US$250 million Qurayyat IWP is in the final stages of testing and commissioning. With a desalination capacity of 200,000 m^3/day, equivalent to 17 per cent of Oman's peak water demand, it is Hyflux's second project in Oman and the first plant it owns and operates there. Desalinated water from this plant will be supplied to the Oman Power and Water Procurement Company over a 20 year concession period.

In the Kingdom of Saudi Arabia, the Group has completed the testing and commissioning of a containerised desalination system to the state-owned Saline Water Conversion Corporation, to augment the capacity of the Yanbu Desalination Plant. The Group is also working on another project in the Kingdom to supply a reverse osmosis and sulphate removal facilities package in Khurais for Snamprogetti Saudi Arabia, a subsidiary of Saipem.

In Egypt, Hyflux achieved an important milestone with the award of the US$500 million EPC contract for the Ain Sokhna IWPP in 2016. This project marks Hyflux's first entry into the Egyptian market, and will be the Group's first integrated water and power project overseas. Construction for this project has not started, pending conversion from an EPC contract to a BOT structure.

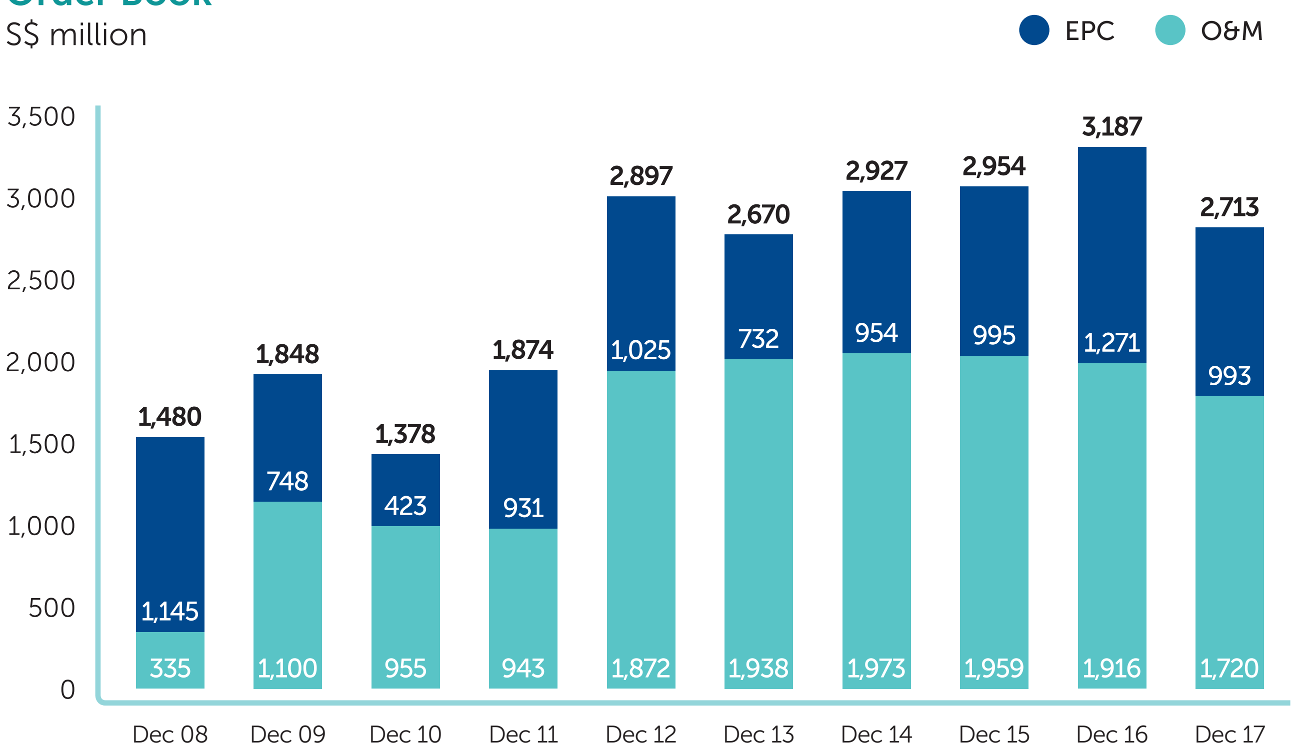
Delivering sustainable environmental solutions

EPC works on Hyflux's first waste-to-energy project, the TuasOne WTE Plant, is on track for completion in 2019. Designed to process 3600 tonnes of waste per day and generate 120 MW of clean and renewable energy, the TuasOne WTE Plant will be one of the largest WTE plants in the world, and will also be Singapore's most land-efficient and energy-efficient waste-to-energy plant.

The TuasOne WTE Plant marks an important milestone for the Group as it expands its expertise into the incineration and renewable energy sector. When completed in 2019, it will be a major addition to the Group's impressive track record of landmark projects. This strongly demonstrates Hyflux's ability and commitment to provide a suite of integrated and innovative sustainable environmental solutions for its municipal clients in its target markets.

As at the end of 2017, the Group's EPC order book stood at approximately S$1 billion.

Order Book
S$ million



Note:
1 Dec 2017 EPC Order Book includes Egypt IWPP which is pending BOT contracts finalisation.
2 O&M order book is a summation of future revenue of our portfolio of plants over 20-30 years concession periods.

Operations & Maintenance (O&M)

With the successful divestment of the Galaxy portfolio in 2017, the Group's operations and maintenance activities are now largely streamlined to focus on seawater desalination plants worldwide and the power plant in Singapore. In addition to ensuring smooth operations and consistent high-quality output, the global O&M teams are also focused on process efficiencies and cost management. Having operational plants in Singapore, China and the MENA region allows for cross-sharing and healthy competition to continuously improve O&M processes.

The Group's O&M order book was approximately S$1.7 billion at the end of 2017. As the Group actively pursues more projects worldwide, coupled with the completion of the Qurayyat IWP and TuasOne WTE Plant, recurring income from O&M is expected to grow in the years to come.

Operating Review

Industry Outlook

As a global leader in the water treatment and seawater desalination market and now having new track records in the power and waste-to-energy markets, Hyflux remains confident of our ability to offer a full-suite of environmental solutions to meet global demands.

Water and Seawater Desalination Market

Clean water is a fundamental need. With the rapid increase in global population and urbanisation, pressure on traditional resources, and climate change, water security continues to be a key concern for global policymakers. According to the United Nations, by 2025, 1.8 billion people will be living in countries or regions with absolute water scarcity, and two-thirds of the world's population could be living under water stressed conditions.

This stress and race for clean water will be a crucial driver in water infrastructure investments. With our expertise and strong track record in providing integrated water solutions, Hyflux is well-positioned to be a key player in fulfilling the global demand for clean and accessible water. Going forward, besides undertaking projects through the Public-Private-Partnerships (PPP) model, Hyflux will also be looking at delivering water solutions through taking on more turnkey EPC projects. Hyflux will also focus on working together with other developers as a technology partner in the design and supply of technology package units (Tech-Pack) to capitalise on our technological know-how in the seawater desalination industry.

Singapore Power Market and Carbon Tax

The weakness in the Singapore electricity market is expected to continue in 2018 with the oversupply of gas in the industry, leading to depressed electricity prices. While electricity price is expected to recover gradually, the electricity market is likely to continue to see low prices in the short term. The recent carbon tax implementation from 2019 onwards will initially levy S$5 per tonne of emissions on facilities that produce 25,000 tonnes or more of greenhouse gas emissions in a year. This levy will be reviewed in 2023, with plans to increase it to between S$10 and S$15 per tonne of emissions by 2030. At this time, the carbon tax implementation is not expected to have a material impact on the Hyflux Group. Having one of the newest and most efficient combine cycle gas turbines in the Singapore power generation market, the impact on Tuaspring IWPP is expected to be lower compared to that for older power plants.

Waste-to-Energy Market

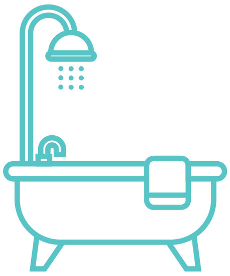
Another space that the Group maintains a positive outlook is in sustainable resource management. As meeting future energy demand becomes a growing global concern, we see a shift towards sustainable energy. One important solution is energy recovery from waste as it reduces demand for landfill while generating sustainable and renewable energy through the process. Hyflux's expansion into the waste-to-energy sector with the TuasOne WTE Plant positions the Group strongly in the growing market of energy recovery from waste as governments around the world focus on sustainable waste management and energy efficiency.

Hyflux's Tuaspring IWPP in Singapore, is the only integrated water and power project in Asia

Consumer Business

The Group's consumer business, the HyfluxShop Group (HyfluxShop), has gained much traction in 2017 with revenue more than doubling in the last two years. In addition to its range of consumer lifestyle products, HyfluxShop also offers ELO Water and its related products and services, as well as the ELO Green range of products.

Following positive anecdotal evidence from early adopters of ELO Water, clinical trials with Changi General Hospital in Singapore to ascertain the efficacy of ELO Water on diabetes control and diabetic foot ulcers are underway. Results of these clinical trials will be shared when available. There are also plans to test the effects of ELO Water on sports performance.



Adding more individual ELO bath suites for users to relax and soak in the oxygen-rich ELO bath in a contemporary yet tranquil setting

Positioned as a one-stop health and wellness destination, the opening of the flagship ELO Water Therapy Centre along Belvedere Close in central Singapore in November 2017 was an exciting highlight for the ELO brand. Allowing users to relax and soak in the oxygen-rich ELO bath in a contemporary yet tranquil setting, the centre also features a fully equipped ELO Green therapy facility, providing our users with a holistic health and wellness experience.

Operating Review

ELO Skincare Range

Premium bath at the flagship ELO Water Therapy Centre

The HyfluxShop Group's latest offering is the ELO Green range of nutritional products made of natural and non-genetically modified ingredients, formulated by qualified nutritionists and medical experts and manufactured in compliance with stringent Good Manufacturing Practice standards. While the ELO Green range of products are currently marketed online and available at the HyfluxShop Group's two ELO Water therapy centres, there are plans to distribute the products globally.

Spinning off the Consumer Business

Recognising the potential of this small but fast-developing consumer business, the Group saw the need to fully maximise its growth opportunities and unlock value for shareholders. In December 2017, the Group proposed a dividend *in specie* of 70% of HyfluxShop shares to entitled shareholders. This resolution was supported by shareholders during the Extraordinary General Meeting on 1 February 2018, with the distribution completed on 15 February 2018.

The Group believes that spinning off HyfluxShop provides better visibility to the consumer business and enable a valuation that is more reflective of its underlying value and potential. To finance its growth, it is likely that HyfluxShop will require additional funding which can be raised directly without taxing the Hyflux Group. Depending on future growth and market conditions, the HyfluxShop Group is expected to be in a position to consider listing on a stock exchange.

Industry Outlook

The wellness industry has experienced sharp growth in the last few years. According to a report by Global Wellness Institute, the global wellness market has reached US$3.7 trillion in 2015. Global wellness tourism alone reached US$563.2 billion in 2015, a growth of 14% from 2013. In Asia, the wellness industry is also expected to grow in tandem with a rise in middle class income as a significant portion of the new Asian middle classes is expected to have higher disposable incomes. HyfluxShop has set foot in Australia, China, Hong Kong, Malaysia and will be looking at South Korea and Taiwan next.

HyfluxShop is well-positioned to ride the growth of the consumer market. By leveraging the Group's innovation and expertise in water research and development, HyfluxShop looks to cement its position as the trusted brand for health and wellness.

By leveraging the Group's innovation and expertise in water research and development, HyfluxShop looks to cement its position as the trusted brand for health and wellness.

Corporate Governance Statement

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.

Corporate Governance Statement

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 Constitution 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 2017 financial year. A summary of attendance by Directors at Board and Board Committees meetings for the financial year ended 31 December 2017 is as follows:

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

Legend:
NA Not Applicable
* Attendance by invitation.

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 its relevant industries.

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.

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
Lau Wing Tat	Non-Executive Independent Director	Member			Chairman	
Gary Kee Eng Kwee	Non-Executive Non-Independent Director					Member

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 served on the Board, as well as experience on other boards.

Corporate Governance Statement

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 Kiang Kok 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.

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 do not hesitate to speak up and offer constructive viewpoints and practical solutions to issues and work towards increasing value of the Group for the benefit of all shareholders; 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 or 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 appointments. 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 effectively 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 representations 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 Constitution, namely, Mr Lee Joo Hai, Mr Gay Chee Cheong 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 Committee meetings but also the time and effort 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.

Corporate Governance Statement

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 2017 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 Committee meetings. The Company Secretary administers, attends and prepares minutes of the Board and Board Committee meetings, and assists in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution 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.

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 Directors and senior management employees.

The RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and employee share options, 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 remuneration packages of the Executive Directors and senior management employees are based on service contracts and 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 senior management employees. The remuneration package for Executive Directors and senior management 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$580,000 be paid to Non-Executive Directors for the financial year ended 31 December 2017. This will be tabled for shareholders' approval at the forthcoming AGM.

Corporate Governance Statement

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 2017:

	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	87%	7%	0%	0%	6%	100%
Below S$250,000						
Teo Kiang Kok	0%	0%	97%	3%	0%	100%
Lee Joo Hai	0%	0%	95%	5%	0%	100%
Gay Chee Cheong	0%	0%	97%	3%	0%	100%
Christopher Murugasu	0%	0%	97%	3%	0%	100%
Simon Tay	0%	0%	97%	3%	0%	100%
Lau Wing Tat	0%	0%	96%	4%	0%	100%
Gary Kee Eng Kwee	0%	0%	93%	7%	0%	100%
TOP SEVEN KEY EXECUTIVES						
Between S$500,000 to S$750,000						
Lim Suat Wah	87%	7%	0%	2%	4%	100%
Wong Lup Wai	88%	7%	0%	3%	2%	100%
Below S$500,000						
Cheong Aik Hock	86%	7%	0%	2%	5%	100%
Chang Cheow Teck[1]	98%	0%	0%	0%	2%	100%
Kum Mun Lock	86%	7%	0%	1%	6%	100%
Peter Wu Siu Kin	82%	7%	0%	1%	10%	100%
Ang Kim Chye Roland	88%	7%	0%	2%	3%	100%

Legend:
1 Appointed on 1 November 2017

The Company has not granted any termination, retirement and post-employment benefits to the 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 2017 is S$2,695,134.20.

The Company implemented Hyflux Employees' Share Option Scheme ("**ESOS**") as part of the 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 2017.

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.

Pursuant to the amended Rule 720(1) of the Listing Rules of the SGX-ST, all the Directors and executive officers of the Group have signed a letter of undertaking.

Principle 11: Risk Management and Internal Controls

The Board recognises 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 the 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;

Corporate Governance Statement

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 notes to 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 Group that as of 31 December 2017:

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, compliance and information technology risks affecting the operations are effective 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 systems 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, is 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 2017.

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

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, business, financial management and legal, 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 the quarterly and annual financial statements before submission to the Board for approval;

4. to review 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. 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, the level of audit and non-audit fees 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, KPMG LLP. The AC has full access to and co-operation of the management and meets with KPMG LLP as well as the internal auditors 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.

During the year, the AC reviewed the financial statements of the Group before the announcement of the Group's quarterly and full-year results. In the process, the AC considered the key areas of management's estimates and judgement applied for key financial issues including impairment testing, provisioning policies, critical accounting policies and any other significant matters that might affect the integrity of the financial statements and considered the report from the external auditor, including their findings on the key areas of audit focus.

Significant matters that were discussed with management and the external auditor have been included as key audit matters (**"KAMs"**) in the audit report for the financial year ended 31 December 2017. Refer to independent auditors' report of this annual report.

In assessing each KAM, the AC took into consideration the approach and methodology applied in the valuation of assets, as well as the reasonableness of the estimates and key assumptions used. Subject matter experts, such as independent valuers, were consulted where necessary. The AC concluded that management's accounting treatment and estimates in each of the KAMs were appropriate.

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 22 of the financial statements 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 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.

Corporate Governance Statement

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.

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 plans.

The Constitution of the Company does allow a shareholder (who is not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a Shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the shareholders' meetings.

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.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. To promote greater transparency and effective participation, the Company conducted electronic poll voting for all resolutions tabled at the shareholders' meetings. The rules, including the voting process, are clearly communicated at such meetings.

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 Group'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. 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)
Ms Lim Suat Wah
Mr Wong Lup Wai
Mr Cheong Aik Hock
Mr Chang Cheow Teck

Corporate Governance Statement

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 2017, the Group did not enter into any transaction that would be regarded as an interested person transaction pursuant to SGX-ST's Listing Manual.

Sustainability

In FY2016, in support of the sustainability reporting initiative by the Singapore Exchange (SGX), Hyflux published its inaugural sustainability report ahead of the mandatory requirement. In its FY2017 sustainability report, Hyflux continues to highlight critical sustainability data and how the Group has been improving its processes. Hyflux works hard every day towards its vision to offer sustainable solutions that transform lives and views sustainability development and its responsibility central to how the Group operates and behaves as a corporate body. The importance of striking a balance between business, social and environmental objectives defines Hyflux.

Hyflux is dedicated to achieving sustainability objectives through maintaining high workplace safety standards, creating sustainable environmental solutions, developing people, and giving back to the community.

Safety

Hyflux is committed to ensuring a safe and secure work environment for all employees at all times, and places strong emphasis on the importance of keeping all our plants and worksites accident-free. The Group has implemented health and safety standards across its operations, and business unit heads are responsible for ensuring that these safety protocols are strictly complied with. The Group-wide Quality, Environmental, Health and Safety (QEHS) policy applies across all of Hyflux's operations, services, products, activities and projects globally. This policy is reviewed annually and from 2016, also covers the energy management segment with the commissioning of the Tuaspring IWPP in Singapore.

In 2017, Hyflux passed the BS OHSAS 18001:2007 recertification audit, a testimonial of full compliance with international standards for occupational health and safety. The bizSAFE certification which rewards sustained efforts towards promoting good workplace safety conditions was again awarded from the Singapore Workplace Safety and Health Council.
Safe practices at all of Hyflux's plants and

Rewards sustained efforts towards promoting good workplace safety conditions

Emergency response drill at Tuaspring IWPP

Sustainability

operations are implemented, practiced, documented and improved. In 2017, Hyflux is proud to achieve "4 Million Safe Man Worked Hours" at the Qurayyat IWP.

Regular audits by independent parties are conducted at all sites to evaluate the effectiveness and maturity level of Hyflux's occupational safety and health management system. For example, in May and December 2017, Hyflux completed the Construction Safety Audit Scoring System (ConSass) conducted by an independent auditor at its TuasOne WTE Plant. Such evaluations are essential to help the Group better allocate resources to improve safety and health standards on its sites.

With over 2,500 employees, Hyflux also recognises the role employees play in workplace safety and the importance of instilling a culture of proactive individual involvement, personal accountability and continuous improvement amongst employees. Workshops, refresher courses, and masterclasses are thus conducted regularly to equip on-site employees with the relevant knowledge and Hyflux's values for a safe working environment. In 2017, Hyflux again achieved zero fatalities at all its construction and operation sites.

Achieved **ZERO fatalities** at all its construction and operation sites

Equip on-site employees with the relevant knowledge and Hyflux's values for a safe working environment

Health, Safety and Environmental Day is also organised annually at Hyflux's plants. Through emergency response drills and quizzes, employees are equipped with the relevant technical knowledge and safety awareness to respond swiftly to potential emergency scenarios.

In addition, Hyflux's contractors are expected to align with the Group's high expectations of workplace safety and health. To ensure compliance, certain conditions are stipulated and made known to contractors during the pre-contract stage. Mandatory in-house QEHS management system training is also provided to all supervisory personnel for projects.

Hyflux's position as an integrated sustainable environmental solutions provider will be firmly cemented when the TuasOne Waste-to-Energy (WTE) Plant is completed.

Environment

As an environmental solutions provider, delivering innovative and sustainable environmental solutions to the world lies at the heart of Hyflux's business model. Hyflux's position as an integrated sustainable environmental solutions provider will be firmly cemented when the TuasOne WTE Plant is completed.

Managing the environmental impact of the Group's activities and operations is an integral part of Hyflux's business processes. All projects are subject to close environmental monitoring. Hyflux's SingSpring and Tuaspring plants have consistently been in compliance with National Environmental Agency (NEA) Energy Conservation Act. In accordance with the Act, Hyflux reports the energy use of the plants periodically and submits an annual Energy Efficiency Improvement Plan for each plant.

As part of Hyflux's commitment to protect natural resources for communities, its plants have embarked on several green initiatives. For example, using a rainwater harvesting tank, rainwater is collected for the toilet flushing systems in the Tuaspring Desalination Plant.

People

People play a vital role in the development of Hyflux's business. At Hyflux, the Group believes in nurturing the full potential of its employees by providing them with opportunities to develop their careers and capabilities, regardless of age, gender or ethnicity. An in-house training academy was set up to offer in-house training courses, and dedicated personnel have been assigned to look at the training needs of all employees.

Hyflux places strong emphasis on open engagement and communication between the management and employees. Open communication between employees and their managers is encouraged throughout the year, and formalised through the annual performance appraisal exercise. Hyflux's CEO also conducts regular conversations to communicate and update employees on the company's performance and direction.

Hyflux understands the need to recognise employees. Besides the long service awards to recognise loyalty and dedication, Hyflux also established the annual CEO Award to show appreciation to employees who have gone beyond their call of duty for the company.

A healthy worker is a productive worker. To encourage employees to embark on a healthy lifestyle, Hyflux organised various health-related talks as well as lunchtime fitness classes. Hyflux also provides a fully-equipped gym, free fruits and snacks in its corporate headquarters for the benefit of employees. In 2018, Hyflux was one of the organisations that participated in the National Steps Challenge (Corporate Challenge).

Regular CEO conversations by Ms Olivia Lum

Sustainability

Hyflux supported TOUCH Diabetes Cycling Fundraising on 5 November 2017

Community

The Group strives to be a valued partner to the communities in which it operates and aims to contribute positively to these local communities. Hyflux has embarked on various CSR projects including blood donation drives at the corporate office. In line with the health benefits of the ELO brand, Hyflux has also directed its CSR efforts towards health-related causes such as diabetes, and supported the TOUCH Diabetes Cycling Fundraising and World Diabetes Day 2017.

Hyflux is committed to reuse, reduce and recycle whenever and wherever possible, to minimise impact on the environment. In continuing its collaboration with WRS, Hyflux installed a total of 27 customised water dispensers across all four WRS parks including the Singapore Zoo, River Safari, Night Safari and Jurong Bird Park, to encourage park guests to use refillable bottles. More than a million bottles were saved in 2017! During the year, Hyflux also started a recycling program to collect used ELO Water bottles from customers for further processing to be reused in many other applications, in an effort to give plastic bottles a new lease of life.

For more details on Hyflux's safety, environmental, people development and community initiatives, please refer to Hyflux's Sustainability Report 2017.

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Directors' Statement

We are pleased to submit this annual report to the members of Hyflux Ltd (the "Company") together with the audited financial statements of Hyflux Ltd and its subsidiaries (the "Group") for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 59 to 143 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, 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.

DIRECTORS

The directors in office at the date of this statement 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	

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	**Holdings at beginning of the year**	**Holdings at end of the year**	**Holdings at 21 January 2018**	**Holdings at beginning of the year**	**Holdings at end of the year**	**Holdings at 21 January 2018**
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	3,000,000	3,000,000	3,000,000	–	–	–
Christopher Murugasu	1,095,468	1,095,468	1,095,468	180,000	180,000	180,000

Directors' Statement

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests are held	Direct interest: Holdings at beginning of the year	Direct interest: Holdings at end of the year	Direct interest: Holdings at 21 January 2018	Deemed interest: Holdings at beginning of the year	Deemed interest: Holdings at end of the year	Deemed interest: Holdings at 21 January 2018
The Company						
Preference shares						
Olivia Lum Ooi Lin	8,020	8,020	8,020	–	–	–
Teo Kiang Kok	3,000	3,000	3,000	–	–	–
Gay Chee Cheong	4,860	–	–	–	–	–
Christopher Murugasu	2,880	2,880	2,880	–	–	–
Perpetual securities						
Olivia Lum Ooi Lin	1,000,000	1,000,000	1,000,000	–	–	–
Teo Kiang Kok	200,000	200,000	200,000	–	–	–
Gay Chee Cheong	–	–	–	500,000	500,000	500,000
Christopher Murugasu	400,000	400,000	400,000	–	–	–
Simon Tay	500,000	500,000	500,000	–	–	–
Gary Kee Eng Kwee	–	–	–	500,000	500,000	500,000
Lau Wing Tat	50,000	50,000	50,000	–	–	–
Share options (2011 Scheme)						
Olivia Lum Ooi Lin	8,598,000	8,598,000	8,598,000	–	–	–
Teo Kiang Kok	300,000	450,000	450,000	–	–	–
Lee Joo Hai	350,000	500,000	500,000	–	–	–
Gay Chee Cheong	300,000	450,000	450,000	–	–	–
Christopher Murugasu	250,000	350,000	350,000	–	–	–
Simon Tay	250,000	350,000	350,000	–	–	–
Gary Kee Eng Kwee	500,000	600,000	600,000	–	–	–
Lau Wing Tat	150,000	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 statement, 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 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 2018.

Except as disclosed under the "Share Options" section of this statement, 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.

Directors' Statement

SHARE OPTIONS

The Hyflux Employees' Share Option Scheme (the "2001 Scheme") of the Company was originally approved and adopted by its members at an Extraordinary General Meeting ("EGM") held on 27 September 2001. At the EGM held on 24 November 2003, the members of the Company approved a modification to the 2001 Scheme.

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. 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 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.

Pursuant to the shareholders approvals granted by the members of the Company at the EGMs held on 24 November 2003 and 27 April 2011, Ms Olivia Lum Ooi Lin, the Executive Chairman and Group CEO and controlling shareholder[1] of the Company is entitled to participate in the 2001 Scheme and the 2011 Scheme and the options granted shall not exceed 10% of the total number of shares to be issued under a scheme. The aggregate number of scheme shares available to Ms Olivia Lum Ooi Lin and her associates shall not exceed 25% of the total number of shares available under the 2011 Scheme.

(1) The terms "controlling shareholder" and "associates" shall have the same meaning ascribed to it in the SGX-ST Listing Manual.

Directors' Statement

SHARE OPTIONS (CONT'D)

At the end of the financial year, details of the options granted under the 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 2017	Options granted	Options exercised	Options forfeited/ expired	Options outstanding as at 31 December 2017	Number of holders as at 31 December 2017	Exercise period
2001 Scheme								
23/05/2007	1.7387	30,000	–	–	(30,000)	–	–	23/05/2008 – 22/05/2017
25/09/2007	1.8613	513,000	–	–	(513,000)	–	–	25/09/2008 – 24/09/2017
26/05/2008	2.4187	1,140,000	–	–	(120,000)	1,020,000	14	26/05/2009 – 25/05/2018
31/10/2008	0.9813	1,462,000	–	–	(219,000)	1,243,000	29	31/10/2009 – 30/10/2018
15/05/2009	1.1987	60,000	–	–	–	60,000	1	15/05/2010 – 14/05/2019
22/10/2009	2.0733	150,000	–	–	–	150,000	1	22/10/2010 – 21/10/2019
26/02/2010	2.3600	90,000	–	–	–	90,000	2	26/02/2011 – 25/02/2020
16/11/2010	2.1907	435,000	–	–	–	435,000	10	16/11/2011 – 15/11/2020
04/03/2011	1.8920	1,260,000	–	–	(130,000)	1,130,000	27	04/03/2012 – 03/03/2021
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	3,150,000	–	–	(300,000)	2,850,000	37	05/03/2013 – 04/03/2022
05/03/2013	1.3960	450,000	–	–	–	450,000	7	05/03/2014 – 04/03/2023
15/01/2014	1.1650	1,960,000	–	–	(30,000)	1,930,000	15	15/01/2015 – 14/01/2024
12/03/2015	0.8580	4,760,000	–	–	(1,030,000)	3,730,000	54	12/03/2016 – 11/03/2025
17/08/2016	0.5350	6,245,000	–	–	(1,340,000)	4,905,000	75	17/08/2017 – 16/08/2026
26/05/2017	0.5480	–	5,885,000	–	(370,000)	5,515,000	56	26/05/2018 – 25/05/2027
		30,303,000	5,885,000	–	(4,082,000)	32,106,000		

Directors' Statement

SHARE OPTIONS (CONT'D)

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 Schemes are as follows:

Name of director	Options granted for the financial year ended 31 December 2017	Aggregate options granted since commencement of Schemes to 31 December 2017	Aggregate options exercised since commencement of Schemes to 31 December 2017	Aggregate options expired since commencement of Schemes to 31 December 2017	Aggregate options outstanding as at 31 December 2017
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)	(9,050,000)	–
2011 Scheme					
Olivia Lum Ooi Lin	–	8,598,000	–	–	8,598,000
Teo Kiang Kok	150,000	450,000	–	–	450,000
Lee Joo Hai	150,000	500,000	–	–	500,000
Gay Chee Cheong	150,000	450,000	–	–	450,000
Christopher Murugasu	100,000	350,000	–	–	350,000
Simon Tay	100,000	350,000	–	–	350,000
Gary Kee Eng Kwee	100,000	600,000	–	–	600,000
Lau Wing Tat	150,000	300,000	–	–	300,000
Total	900,000	11,598,000	–	–	11,598,000

The exercise price of the options is set at the market price, as defined in the Schemes, at the date of grant. No options have been granted at a discount.

Except as disclosed in this statement, since the commencement of the Schemes:

- No options have been granted to the controlling shareholders of the Company or their associates;
- No participant under the Schemes 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 or its related corporations under the Schemes; and
- 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.

Directors' Statement

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

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

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- the financial and operating results and accounting policies of the Group;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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 Listing Manual.

Directors' Statement

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

22 March 2018

Independent Auditors' Report

Members of the Company
Hyflux Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Hyflux Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the Company as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 59 to 143.

In our opinion, the accompanying consolidated financial statements of the Group and the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

Members of the Company
Hyflux Ltd

Service Concession Arrangements (Refer to note 9 to the financial statements)	
The Risk: The Group enters into long term service concession arrangements with municipals to build and operate water treatment plants, desalination plants, power plants and waste-to-energy plants. The Group recognises construction revenue and service concession receivables from these arrangements. The accounting for long term service concession arrangements is complex and involves significant judgment. On inception of the arrangements, management exercises judgement in the estimation of the fair value of the construction service contract and the service concession receivables, which takes into account budgeted construction costs, project value (including service concession rights) and profit margin. Construction revenue is recognised progressively based upon management's estimation of the value of project activities completed. As these long-term contracts can extend over multiple years, changes in conditions and circumstances may result in delays, variation to project schedules and terms as well as cost overruns which may impact revenue recognition and service concession receivables from the service concession arrangements.	**Our Response:** We obtained an understanding of management's process for measuring construction revenue and service concession receivables as well as the monitoring of these long term contracts. We reviewed the contractual terms of the service concession arrangements and supporting documents to ascertain the progress of work, including any material changes to contractual terms and costs to complete. **Our Findings:** Management has processes in place to monitor the progress of these long term contracts. There were no material changes to the terms of these service concession arrangements during the year. The judgement exercised by the Group in the recognition of construction revenue and the service concession receivables is fair.
Recoverability of trade receivables (including gross amounts due for contracts) Contingencies and provision for litigations and claims (Refer to notes 10, 11 and 30 to the financial statements)	
The Risk: The Group has significant trade receivables (billed and unbilled) for contract work. In addition, there were claims by customers against the Group for which the Group has also made certain counter claims against the customers and/or subcontractors. The recoverability assessment of these receivables and estimate of provision for claims require the Group to exercise significant judgement, by taking into consideration developments arising from on-going negotiations, facts and circumstances underlying the claims, the appropriate legal advice, and the strength of contractual position, among others. The determination by management of the recognition, measurement and disclosures for such claims is also judgmental. Inappropriate judgement and estimate may have a material effect on the carrying amounts of the receivables and/or the liabilities to be recognised.	**Our Response:** We focus our review on projects with prolonged delays and/or significant claims. We obtained an understanding of the project status, payment records and any claims made through management discussions, site visits to corroborate our understanding of management's judgement and representation and review of supporting documents for claims, arbitration and legal advice. **Our Findings:** Management has a process in place to identify and monitor potential exposures arising from claims by customers as well as the determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements. The judgement applied in management's assessment of recoverability of receivables and liabilities recognised is balanced as at year end.

Independent Auditors' Report

Members of the Company
Hyflux Ltd

Classification and measurement of assets and liabilities held for sales; (Refer to notes 14 and 32 to the financial statements)	
The Risk: The Group accounted for Tianjin Dagang ("Dagang") as assets held for sale as at the year end of 2016. While the Group's intent is to divest Dagang, Dagang ceased to qualify as assets held for sales and was reclassified accordingly. The Group accounted for Tuaspring and Hyflux Energy ("Tuaspring") as assets held for sale as at year end of 2017. Tuaspring remains to be held by the Group beyond a 12 month period from the date of initial classification as assets held for sale. In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, an entity shall classify a disposal group as assets and liabilities held for sale only if certain criteria are fulfilled. The determination of classification as assets held for sale is a critical accounting judgement. Should the criteria set out in FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* not be met, the Group shall cease to classify the disposal group as held for sale, and measure it at the lower of its recoverable amount and the carrying amount that would have been recognised had the disposal group never been classified as held for sale. This could have a significant impact to the performance and financial position of the Group.	**Our Response:** For Dagang, we reviewed management's basis for the reclassification and the consequential accounting treatment and presentation in the financial statements. For Tuaspring, we reviewed management's basis for the classification and examined supporting documents, including divestment plan and indicative bid received. **Our Findings:** We found the classification of the assets held for sale to be supportable.

Independent Auditors' Report

Members of the Company
Hyflux Ltd

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditors' Report

Members of the Company
Hyflux Ltd

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

Members of the Company
Hyflux Ltd

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lau Kam Yuen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2018

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*	Company 2017 $'000	Company 2016 $'000
Assets					
Property, plant and equipment	4	121,115	183,767	–	–
Intangible assets and goodwill	5	21,023	23,910	–	–
Intangible assets arising from service concession arrangements	6	–	1,083,682	–	–
Subsidiaries	35	–	–	298,874	278,958
Associates and joint ventures	7	190,664	185,917	16,475	15,952
Deferred tax assets	8	17,115	54,466	–	–
Service concession receivables	9	1,157,945	1,222,845	–	–
Trade and other receivables, including derivatives	10	3,000	3,751	895,791	1,163,449
Non-current assets		1,510,862	2,758,338	1,211,140	1,458,359
Gross amounts due for contract work	11	42,895	69,656	–	–
Inventories	12	48,999	44,774	–	–
Service concession receivables	9	6,219	14,555	–	–
Trade and other receivables, including derivatives	10	248,791	427,748	791,197	681,478
Cash and cash equivalents	13	314,168	332,169	97,269	185,482
		661,072	888,902	888,466	866,960
Assets held for sale	14	1,481,291	195,163	–	–
Current assets		2,142,363	1,084,065	888,466	866,960
Total assets		3,653,225	3,842,403	2,099,606	2,325,319
Liabilities					
Trade and other payables, including derivatives	15	491,526	579,789	76,826	29,829
Loans and borrowings	16	352,462	304,927	290,346	240,597
Tax payable		8,894	22,663	5,090	4,071
		852,882	907,379	372,262	274,497
Liabilities held for sale	14	579,187	169	–	–
Current liabilities		1,432,069	907,548	372,262	274,497
Net current assets		710,294	176,517	516,204	592,463
Trade and other payables, including derivatives	15	35,895	14,520	–	–
Loans and borrowings	16	1,173,195	1,367,500	503,550	585,289
Deferred tax liabilities	8	4,504	4,749	–	–
Non-current liabilities		1,213,594	1,386,769	503,550	585,289
Net assets		1,007,562	1,548,086	1,223,794	1,465,533

* See note 34

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

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*	Company 2017 $'000	Company 2016 $'000
Equity					
Share capital	17	607,258	607,258	607,258	607,258
Treasury shares	17	(85,929)	(85,929)	(85,929)	(85,929)
Perpetual securities	18	494,798	785,280	494,798	785,280
Reserves	19	(59,652)	10,753	34,993	36,765
Retained earnings		25,540	209,398	172,674	122,159
Equity attributable to owners of the Company		982,015	1,526,760	1,223,794	1,465,533
Non-controlling interests		25,547	21,326	–	–
Total equity		1,007,562	1,548,086	1,223,794	1,465,533

* See note 34

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

Consolidated Income Statement

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000 Restated*
Revenue	21	353,629	830,634
Other income		114,470	76,104
Changes in inventories of finished goods and work-in-progress		(3,127)	(7,413)
Raw materials and consumables used and subcontractors' cost		(215,335)	(532,679)
Staff costs	22	(94,590)	(82,661)
Depreciation, amortisation and impairment		(28,920)	(17,996)
Other expenses		(104,854)	(72,551)
Finance costs		(58,450)	(47,769)
Share of profit/(loss) of equity-accounted investees (net of tax)		91	(2,730)
(Loss)/profit before tax	22	(37,086)	142,939
Tax credit/(expense)	23	3,416	(18,841)
(Loss)/profit for the year excluding Tuaspring		(33,670)	124,098
Loss from Tuaspring (net of tax)	32	(81,890)	(114,490)
(Loss)/profit for the year		(115,560)	9,608
(Loss)/profit (excluding Tuaspring) attributable to:			
Owners of the Company		(34,462)	118,323
Non-controlling interests		792	5,775
(Loss)/profit for the year excluding Tuaspring		(33,670)	124,098
(Loss)/profit attributable to:			
Owners of the Company		(116,352)	3,833
Non-controlling interests		792	5,775
(Loss)/profit for the year		(115,560)	9,608
Earnings per share			
Basic earnings per share (cents)	24	(21.79)	(7.63)
Diluted earnings per share (cents)	24	(21.79)	(7.63)
Earnings per share excluding Tuaspring			
Basic earnings per share (cents)	24	(11.37)	6.95
Diluted earnings per share (cents)	24	(11.37)	6.95

* See notes 32 and 34

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 $'000	2016 $'000 Restated*
(Loss)/profit for the year	(115,560)	9,608
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences – foreign operations	(7,510)	(9,324)
Effective portion of changes in fair value of cash flow hedges	(30,265)	(4,447)
OCI reclassified to profit or loss on disposal of a joint venture	(15,611)	–
Share of other comprehensive income of equity-accounted investees	(11,537)	1,936
Effective portion of changes in fair value of cash flow hedges reclassified to profit or loss	–	2,938
Other comprehensive loss for the year excluding Tuaspring	(64,923)	(8,897)
Other comprehensive loss of Tuaspring	(13,776)	(7,457)
Total comprehensive loss for the year	(194,259)	(6,746)
Total comprehensive loss attributable to:		
Owners of the Company	(185,614)	(12,710)
Non-controlling interests	(8,645)	5,964
Total comprehensive loss for the year	(194,259)	(6,746)

* See notes 32 and 34

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital $'000	Treasury shares $'000	Perpetual securities $'000	Capital reserve $'000	Translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017, as restated	607,258	(85,929)	785,280	16,720	(7,152)	(24,207)	25,392	209,398	1,526,760	21,326	1,548,086
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	(116,352)	(116,352)	792	(115,560)
Other comprehensive income											
Foreign currency translation differences	–	–	–	–	(5,928)	–	–	–	(5,928)	(1,582)	(7,510)
Effective portion of changes in fair value of cash flow hedges[1]	–	–	–	–	–	(36,186)	–	–	(36,186)	(7,855)	(44,041)
Disposal of a joint venture	–	–	–	(189)	(15,422)	–	–	–	(15,611)	–	(15,611)
Share of other comprehensive income of equity-accounted investees	–	–	–	–	(11,480)	(57)	–	–	(11,537)	–	(11,537)
Total other comprehensive income	–	–	–	(189)	(32,830)	(36,243)	–	–	(69,262)	(9,437)	(78,699)
Total	–	–	–	(189)	(32,830)	(36,243)	–	(116,352)	(185,614)	(8,645)	(194,259)

[1] Includes $13,776,000 relating to Tuaspring

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital $'000	Treasury shares $'000	Perpetual securities $'000	Capital reserve $'000	Translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends (note 19)	–	–	–	–	–	–	–	(64,510)	(64,510)	–	(64,510)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	12,866	12,866
Redemption of perpetual securities (note 18)	–	–	(290,482)	(4,518)	–	–	–	–	(295,000)	–	(295,000)
Value of employee services received	–	–	–	–	–	–	379	–	379	–	379
Transfer to capital reserve	–	–	–	2,996	–	–	–	(2,996)	–	–	–
Total transactions with owners	–	–	(290,482)	(1,522)	–	–	379	(67,506)	(359,131)	12,866	(346,265)
At 31 December 2017	607,258	(85,929)	494,798	15,009	(39,982)	(60,450)	25,771	25,540	982,015	25,547	1,007,562

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital $'000	Treasury shares $'000	Perpetual securities $'000	Capital reserve $'000	Translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2016, as previously stated	607,258	(85,929)	469,096	13,731	469	(15,285)	25,069	273,059	1,287,468	13,383	1,300,851
Impact of fair value review[1]	–	–	–	–	–	–	–	11,177	11,177	–	11,177
At 1 January 2016, as restated	607,258	(85,929)	469,096	13,731	469	(15,285)	25,069	284,236	1,298,645	13,383	1,312,028
Total comprehensive income for the year											
Profit for the year, as previously stated	–	–	–	–	–	–	–	4,762	4,762	5,775	10,537
Reinstatement from Held for Sale (note 14)	–	–	–	–	–	–	–	(929)	(929)	–	(929)
Profit for the year, as restated	–	–	–	–	–	–	–	3,833	3,833	5,775	9,608
Other comprehensive income											
Foreign currency translation differences	–	–	–	–	(9,571)	–	–	–	(9,571)	247	(9,324)
Effective portion of changes in fair value of cash flow hedges[2]	–	–	–	–	–	(11,846)	–	–	(11,846)	(58)	(11,904)
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	2,938	–	–	2,938	–	2,938
Share of other comprehensive income of equity-accounted investees	–	–	–	–	1,950	(14)	–	–	1,936	–	1,936
Total other comprehensive income	–	–	–	–	(7,621)	(8,922)	–	–	(16,543)	189	(16,354)
Total comprehensive income for the year (restated)	–	–	–	–	(7,621)	(8,922)	–	3,833	(12,710)	5,964	(6,746)

(1) The Group had made a retrospective adjustment in the previous financial year to the provisional fair value of its acquisition of its equity stake in Tianjin Dagang
(2) Includes $7,457,000 relating to Tuaspring

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital $'000	Treasury shares $'000	Perpetual securities $'000	Capital reserve $'000	Translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends (note 19)	–	–	–	–	–	–	–	(74,330)	(74,330)	–	(74,330)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,979	1,979
Issuance of perpetual securities	–	–	494,798	–	–	–	–	–	494,798	–	494,798
Redemption and repurchase of perpetual securities	–	–	(178,614)	(1,352)	–	–	–	–	(179,966)	–	(179,966)
Value of employee services received for issue of share options	–	–	–	–	–	–	323	–	323	–	323
Transfer to capital reserve	–	–	–	4,341	–	–	–	(4,341)	–	–	–
Total transactions with owners	–	–	316,184	2,989	–	–	323	(78,671)	240,825	1,979	242,804
At 31 December 2016 (restated)	607,258	(85,929)	785,280	16,720	(7,152)	(24,207)	25,392	209,398	1,526,760	21,326	1,548,086

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

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000 Restated*
Cash flows from operating activities			
(Loss)/profit for the year		(115,560)	9,608
Adjustments for:			
Amortisation of transaction costs related to borrowings		3,609	3,187
Depreciation		16,847	15,378
Impairment loss on property, plant and equipment		2,522	–
(Gain)/loss on sale of property, plant and equipment		(40,363)	80
Amortisation/write off of intangible assets		5,348	47,125
Impairment loss on/(write-back of) inventory obsolescence		2,188	(15)
Employees' share option expense		379	323
Change in fair value of derivative financial instruments		–	(2,433)
Impairment loss on an investment in associate		6,678	–
Net finance costs		85,001	58,371
Provision for contract costs		21,327	–
Gain on disposal of a joint venture		(16,491)	–
Share of (profit)/loss of equity-accounted investees, net of tax		(91)	2,730
Tax credit		(22,842)	(8,803)
Impairment loss on/(write-back of) trade and other receivables (net)		6,521	(447)
		(44,927)	125,104
Changes in:			
Inventories		(7,335)	6,851
Gross amounts due for contract work		26,761	3,922
Trade and other receivables		49,558	(4,627)
Trade and other payables		(75,876)	283,354
Net cash (used in)/from operating activities before service concession arrangements		(51,819)	414,604
Change in service concession receivables		(151,120)	(683,618)
Net cash used in operating activities after service concession arrangements		(202,939)	(269,014)
Tax paid		(11,184)	(2,986)
Net cash used in operating activities		(214,123)	(272,000)

* See note 34

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

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000 Restated*
Cash flows from investing activities			
Interest received		4,957	2,414
Dividends received		2,475	2,430
Proceeds from sale of property, plant and equipment		95,596	52
Acquisition of property, plant and equipment		(15,596)	(35,002)
Proceeds from liquidation of subsidiary		–	3,731
Acquisition of intangible assets		(386)	(1,248)
Investments in equity-accounted investees		(24,505)	(42,659)
Loans to joint ventures		–	(76,377)
Disposal of other investments		–	553
Disposal of a joint venture		190,763	–
Repayment of loan from a joint venture		79,577	–
Net cash from/(used in) investing activities		332,881	(146,106)
Cash flows from financing activities			
Proceeds from perpetual securities		–	494,794
Redemption of perpetual securities	18	(295,000)	(175,000)
Repurchase of perpetual securities		–	(4,962)
Proceeds from borrowings		814,499	947,870
Repayment of borrowings		(412,370)	(691,449)
Contribution from non-controlling interests		12,769	1,979
Dividends paid		(64,510)	(74,330)
Restricted bank balances		(15,309)	(51,161)
Interest paid		(87,719)	(64,083)
Net cash (used in)/from financing activities		(47,640)	383,658
Net increase/(decrease) in cash and cash equivalents		71,118	(34,448)
Cash and cash equivalents at 1 January		260,322	298,478
Effect of exchange rate fluctuations on cash held		(7,065)	(3,708)
Cash and cash equivalents at 31 December	13	324,375	260,322

The consolidated statement of cash flows includes the generation and use of cash and cash equivalents of the discontinuing operation (see note 32).

* See note 34

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 22 March 2018.

1 DOMICILE AND ACTIVITIES

Hyflux Ltd (the "Company") is a company incorporated in 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 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The Group is primarily involved in 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;
- Design, construction, ownership, operation and sale of water treatment plants, seawater desalination plants, wastewater treatment plants and water recycling plants under service concession arrangements; and
- Sale of oxygen-rich water and related products and services.

Energy

- Design, construction, ownership, operation and sale of power plants; and
- Trading in the electricity markets and sale of retail electricity contracts.

Waste-to-Energy

- Design, construction, ownership, operation and sale of waste-to-energy plant.

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 as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars ("SGD"), which is the Company's 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 BASIS OF PREPARATION (CONT'D)

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.

Critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements is included in note 14 in respect of the classification of disposal groups held for sale.

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 property, plant and equipment for useful lives determination and underlying recoverable amounts for impairment test;
- Note 7 – impairment assessment of associates and joint ventures;
- Note 9 – fair value measurement of service concession receivables;
- Note 14 – classification and determination of fair values of disposal groups held for sale;
- Note 21 – revenue recognition from construction contracts;
- Note 27 – recoverability of trade and other receivables and service concession receivables; and
- Note 30 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes the investment and finance teams that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Chief Financial Officer.

The investment team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the investment and finance teams assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of FRS.

Significant valuation issues are reported to the Group Chief Financial Officer.

Notes to the Financial Statements

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in note 26.

2.5 Changes in accounting policies

i. Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12)*; and
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016)*.

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

ii. Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 16).

Notes to the Financial Statements

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.

Certain comparative amounts have been restated to reflect the reinstatement of disposal group held for sale (see note 34). In addition, the comparative statement of profit or loss and statement of comprehensive income have been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 32).

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

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 pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

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 and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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 ("NCI") are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, and are measured either at fair value or at the NCI's 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 NCI are measured at acquisition-date fair value or, unless another measurement basis is required by FRSs.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

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.

Changes in the Group's interests 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 NCI 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 NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI 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 an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and joint venture (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, 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 investee's operations or has made payments on behalf of the investee.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

Joint operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

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 investees 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.

Subsidiaries, associates and joint ventures and associates in the separate financial statements

Investments in subsidiaries, associates and joint ventures 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 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.

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 OCI arising on the translation 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 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 reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

Foreign currency differences are recognised in OCI, 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 NCI. 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 NCI. When the Group disposes of only part of its interest 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 OCI, and are in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. 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 legally enforceable right to offset the amounts and intends either to settle them 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 and loans and receivables.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

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. Directly 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.

Loans and receivables

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, service concession receivables and gross amounts due from contract work.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of six months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of the statement of cash flows, restricted cash and 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.

Service concession arrangements

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).

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

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 currently 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 other financial liabilities category. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings and trade and other payables.

Share capital and perpetual securities classified as equity

Ordinary shares, preference shares and perpetual securities which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Distributions arising from such instruments are recognised in equity as there is no contractual obligation to pay distributions on these instruments. Incremental external costs directly attributable to the issuance of such instruments are accounted for as a deduction from equity.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid, including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserves.

For ordinary shares, interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

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 initially measured at fair value; any 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 OCI 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.

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 Group 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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing 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 calculated as the difference between the net proceeds from disposal with the carrying amount of the item is recognised 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 as an expense 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, unless it is included in the carrying amount of another 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment

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

Buildings	–	over the lease period ranging from 3 to 30 years
Plant and machinery	–	4 to 10 years
Equipment		
• Motor vehicles	–	4 to 5 years
• Computers	–	3 to 5 years
• Office equipment	–	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 and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

<u>Subsequent measurement</u>

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, 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.

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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets and goodwill (cont'd)

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. 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	–	over the concession period ranging from 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 terms of 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.

3.7 Inventories

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials is principally based on the weighted average cost principle, and includes expenditure incurred in acquiring the raw materials and other costs incurred in bringing them to their existing location and condition. In the case of work in progress and finished goods, 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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Inventories (cont'd)

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

Long term contracts

The accounting policy for recognition of contract revenue is set out in Note 3.12.

Long-term contracts-in-progress at the balance sheet date represent the gross unbilled amount expected to be collected from customers for contract work performed to date and are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as "Gross amounts due for contract work" (as an asset) or part of trade and other payables (as a liability), as applicable. Gross amounts due for contract work comprises mainly uncompleted construction contracts. It is measured at cost plus profit recognised to date less progress billings and recognised losses. The amount due from customers on construction contracts are classified as financial assets.

Long-term contract costs include the cost of direct materials, direct labour, sub-contractors' costs and an appropriate allocation of fixed and variable production overheads. Allowance is made for anticipated losses, if any, on work-in progress when the possibility of loss is ascertained. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before progress billings are included in the balance sheet as "Trade and other payables".

3.8 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, 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 (including equity securities) 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 or economic conditions that correlate with defaults. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

<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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment (cont'd)

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.

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 the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Associates and joint ventures
An impairment loss in respect of an associate or a joint venture 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, other than inventories and deferred tax 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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment (cont'd)

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.

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

3.9 Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale (held for distribution) 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 or distribution 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 or distribution are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale or distribution.

3.10 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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Employee benefits (cont'd)

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.

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 based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognised as employee benefits 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.

3.11 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.

3.12 Revenue

Construction contracts

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. When 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 (see note 3.7).

The stage of completion is assessed by reference to the ratio of contract costs incurred for work performed to date against the estimated total contract costs for each contract. 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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue (cont'd)

Service concession arrangement

Revenue related 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 contracts. 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 when the amounts are separately identifiable.

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.

Rendering of services

Revenue from the rendering of services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction as a proportion of the total services to be rendered.

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, then 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 service concession receivables arising from service concession arrangements, and is recognised in profit or loss as it accrues using the effective interest method.

Interest income

Interest income is recognised as it accrues in profit or loss as it accrues, using the effective interest method.

3.13 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" on a systematic basis in the same periods in which the expenses are recognised.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Government grants (cont'd)

As part of the Singapore Energy Market Authority's ("EMA") effort to create liquidity in the electricity futures market on Singapore Exchange Securities Trading Limited ("SGX"), companies participating as market makers in the futures market are provided with incentives in the form of Forward Sales Contracts ("FSC"). These incentives which are accounted for as grant income are recognised in profit or loss upon fulfilment of such market making obligations.

3.14 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.

3.15 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.

3.16 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 OCI.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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 interests in subsidiaries, associates and joint arrangements 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.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax (cont'd)

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.

3.17 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share 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 earnings per share 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 directors and employees. Both basic and diluted earnings per share of the Group are adjusted to take into consideration the effect of dividends on preference shares and perpetual securities on earnings.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Executive Chairman and Group 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 Executive Chairman and Group 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.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Buildings $'000	Plant and machinery $'000	Equipment $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2017		118,356	63,606	25,514	85,924	293,400
Additions		2,147	1,717	1,212	10,520	15,596
Transfers		28,711	7,309	88	(36,108)	–
Reclassification to assets held for sale	14	(15)	(665)	(1,846)	–	(2,526)
Disposals		(62,638)	(2,332)	(959)	–	(65,929)
Write offs		–	(27)	(139)	–	(166)
Effect of movements in exchange rates		(1,101)	(218)	(89)	(618)	(2,026)
At 31 December 2017		85,460	69,390	23,781	59,718	238,349
Accumulated depreciation and impairment losses						
At 1 January 2017		32,378	30,981	20,463	25,811	109,633
Depreciation for the year		5,501	9,287	2,059	–	16,847
Reclassification to assets held for sale	14	–	–	(582)	–	(582)
Disposals		(7,807)	(2,187)	(702)	–	(10,696)
Write offs		–	(24)	(125)	–	(149)
Impairment loss		–	2,522	–	–	2,522
Effect of movements in exchange rates		(158)	(95)	(88)	–	(341)
At 31 December 2017		29,914	40,484	21,025	25,811	117,234
Carrying amounts						
At 1 January 2017		85,978	32,625	5,051	60,113	183,767
At 31 December 2017		55,546	28,906	2,756	33,907	121,115

Notes to the Financial Statements

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Note	Buildings $'000	Plant and machinery $'000	Equipment $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2016		117,236	54,049	22,961	71,891	266,137
Additions		1,634	3,579	2,759	27,322	35,294
Transfers		946	10,407	463	(11,816)	–
Reclassification to assets held for sale	14	(21,821)	(26,180)	(221)	(66)	(48,288)
Disposals		(191)	(589)	(373)	(52)	(1,205)
Write offs		(16)	–	(166)	–	(182)
Effect of movements in exchange rates		(1,706)	(379)	(144)	(1,420)	(3,649)
At 31 December 2016		96,082	40,887	25,279	85,859	248,107
Reclassification from assets held for sale	14	22,274	22,719	235	65	45,293
At 31 December 2016, as restated		118,356	63,606	25,514	85,924	293,400
Accumulated depreciation and impairment losses						
At 1 January 2016		28,114	26,194	18,414	25,811	98,533
Depreciation for the year		4,957	7,013	2,480	–	14,450
Reclassification to assets held for sale	14	(2,466)	(17,324)	(156)	–	(19,946)
Disposals		(170)	(328)	(231)	–	(729)
Write offs		(15)	–	(142)	–	(157)
Effect of movements in exchange rates		(211)	(103)	(89)	–	(403)
At 31 December 2016		30,209	15,452	20,276	25,811	91,748
Reinstatement of depreciation		24	904	1	–	929
Reclassification from assets held for sale	14	2,145	14,625	186	–	16,956
At 31 December 2016, as restated		32,378	30,981	20,463	25,811	109,633
Carrying amounts						
At 1 January 2016		89,122	27,855	4,547	46,080	167,604
At 31 December 2016, as restated		85,978	32,625	5,051	60,113	183,767

Notes to the Financial Statements

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(i) In 2017, the Group sold the leasehold interest in certain land and buildings with net book value of $54,830,000 for a consideration of $95,000,000. The gain on disposal of the land and buildings of $40,170,000 was recorded in Other Income in the current year profit or loss.

(ii) The Group reviewed the business plans including the possibility of selling certain plants in the People's Republic of China ("PRC") due to prolonged unfavourable market conditions. Accordingly, management estimated the recoverable amounts based on an independent professional valuer. The valuation was determined by way of replacement cost methods, adjusted for economic obsolescence, functional obsolescence and physical condition. Based on the assessment, the recoverable amounts were estimated to approximate the carrying amounts as at the reporting date. As a result, no impairment was recognised in 2016 and 2017.

Due to changes in its operating environment and its future ongoing operating costs, management has re-assessed the carrying amount of certain machineries. Based on value-in-use method, an impairment loss of $2,522,000 was recognised in the current year profit and loss.

(iii) Included in the addition of construction in progress of $10,520,000 (2016: $27,322,000) are capitalised staff costs related to the construction of the building amounting to $1,007,000 (2016: $4,252,000).

(iv) The Group reviews the useful lives of the property, plant and equipment annually in order to determine the amount of depreciation expense to be recorded. The estimated useful lives of property, plant and equipment are based on factors such as business plans and strategies, expected level of usage and future technological developments. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying value of property, plant and equipment.

Notes to the Financial Statements

5 INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Development costs $'000	Intellectual property rights $'000	Licensing fees $'000	Total $'000
Group					
Cost					
At 1 January 2016	13,042	60,273	4,707	4,806	82,828
Additions	–	707	501	40	1,248
Effect of movements in exchange rates	–	(3)	(8)	132	121
At 31 December 2016	13,042	60,977	5,200	4,978	84,197
Additions	–	250	116	20	386
Write off	(885)	–	(245)	–	(1,130)
Effect of movements in exchange rates	–	9	(2)	(311)	(304)
At 31 December 2017	12,157	61,236	5,069	4,687	83,149
Accumulated amortisation					
At 1 January 2016	13,042	39,918	1,908	2,312	57,180
Amortisation	–	2,496	212	331	3,039
Effect of movements in exchange rates	–	–	(2)	70	68
At 31 December 2016	13,042	42,414	2,118	2,713	60,287
Amortisation	–	2,398	201	294	2,893
Write off	(885)	–	–	–	(885)
Effect of movements in exchange rates	–	–	(1)	(168)	(169)
At 31 December 2017	12,157	44,812	2,318	2,839	62,126
Carrying amounts					
At 1 January 2016	–	20,355	2,799	2,494	25,648
At 31 December 2016	–	18,563	3,082	2,265	23,910
At 31 December 2017	–	16,424	2,751	1,848	21,023

Amortisation

The amortisation of development costs, intellectual property rights and licensing fees is included in "depreciation, amortisation and impairment" expense.

Recoverability of development costs

The recoverable amount of such development costs is based on cash flow projections. The key assumptions are those regarding the discount rate and expected changes to the Group's plans. No impairment was deemed necessary.

Notes to the Financial Statements

6 INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS

Group	Note	$'000
Cost		
At 1 January and 31 December 2016		1,140,330
Transfer		11,210
Reclassification to assets held for sale	14	(1,151,540)
At 31 December 2017		–
Accumulated amortisation		
At 1 January 2016		12,563
Amortisation		44,085
At 31 December 2016		56,648
Amortisation		2,210
Reclassification to assets held for sale	14	(58,858)
At 31 December 2017		–
Carrying amounts		
At 1 January 2016		1,127,767
At 31 December 2016		1,083,682
At 31 December 2017		–

In 2011, the Group entered into a service concession arrangement with PUB, the Singapore's national water agency (the "grantor") to construct a seawater desalination plant and a power generation facility (collectively the "plants") in Tuas, Singapore. The construction of the plants commenced in 2011 and the seawater desalination plant and the power generation facility was completed and available for use in 2013 and 2016 respectively. Under the terms of agreement, the Group is responsible for the construction of the plants. Upon completion of the construction, the Group will operate the plants and supply desalinated water to PUB and electricity generated from the power generation facility in excess of the requirements of the desalination plant will be sold to the National Electricity Market of Singapore. The concession period is 25 years, starting from 2013. The Group will be responsible for any maintenance services required during the concession period. The Group does not expect major repairs to be necessary during the concession period.

The grantor will provide the Group a guaranteed minimum payments for the period that the plants are in operation. Additionally, the Group earned a tariff for the supply of water and has the right to collect and retain proceeds from the sale of electricity, both of which are collected and earned by the Group over and above the guaranteed minimum payments to be received from the grantor. At the end of the concession period, the plants become the property of the grantor and the Group will have no further involvement in its operation or maintenance requirements.

The service concession agreement does not contain a renewal option. The rights of the grantor to terminate the agreement include poor performance by the Group and in the event of a material breach in the terms of the agreement. The rights of the Group to terminate the agreement include failure of the grantor to make payment under the agreement and a material breach in the terms of the agreement.

Notes to the Financial Statements

7 ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Interests in associates	151,030	143,573	16,475	15,952
Interests in joint ventures	39,634	42,344	–	–
As at 31 December	190,664	185,917	16,475	15,952

The Group does not have any individually significant associate. For this purpose, an associated company is considered significant as defined under the SGX Listing Manual if the Group's share of its net tangible assets represents 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. For the purpose of these financial statements, the Group's consolidated net tangible assets include intangible assets arising from service concession arrangements.

Associates

The Group has three (2016: three) associates that are material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following are details for the material associates:

Name of associate	Principal activity	Country of incorporation	Ownership interest	
			2017	2016
			%	%
Held by the Company				
SingSpring Trust ("SingSpring")	Developer and operator of a seawater desalination plant	Singapore	30	30
Held through subsidiaries				
Tahlyat Myah Magtaa SPA ("TMM")	Developer and operator of a seawater desalination plant	Algeria	47	47
Tus Water Group Limited ("Tus Water")	Holds strategic investments in water projects in the PRC	Hong Kong	25	25

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of losses and profit of the remaining individually immaterial associates.

Notes to the Financial Statements

7 ASSOCIATES AND JOINT VENTURES (CONT'D)

	Tus Water $'000	TMM $'000	SingSpring $'000	Immaterial associates $'000	Total $'000
2017					
Revenue	36,500	62,917	32,244		
Profit/(loss) for the year	17,890	(2,062)	8,809		
OCI	(179)	–	(190)		
Total comprehensive income/ (loss)	17,711	(2,062)	8,619		
Non-current assets	206,092	412,216	153,279		
Current assets	96,838	109,613	14,241		
Non-current liabilities	(30,590)	(359,510)	(69,153)		
Current liabilities	(32,969)	(44,640)	(15,395)		
Net assets	239,371	117,679	82,972		
Group's share in net assets of investee at beginning of the year	59,833	48,931	23,940	10,869	143,573
Group's share of:					
– profit/(loss) for the year	4,473	(969)	2,642	(4,570)	1,576
– OCI	(45)	–	(57)	–	(102)
– total comprehensive income/(loss)	4,428	(969)	2,585	(4,570)	1,474
Translation	(4,418)	(6,179)	–	387	(10,210)
Group's contribution during the year	–	13,526	–	10,979	24,505
Dividends received during the year	–	–	(2,475)	–	(2,475)
Group's fair value adjustments at acquisition	–	–	841	–	841
Impairment loss	–	–	–	(6,678)	(6,678)
Carrying amount of interest in investee at end of the year	59,843	55,309	24,891	10,987	151,030

Notes to the Financial Statements

7 ASSOCIATES AND JOINT VENTURES (CONT'D)

	Tus Water $'000	TMM $'000	SingSpring $'000	Immaterial associates $'000	Total $'000
2016					
Revenue	13,980	28,739	32,122		
(Loss)/profit for the year	(2,180)	(13,055)	9,584		
OCI	2,965	–	(47)		
Total comprehensive income/ (loss)	785	(13,055)	9,537		
Non-current assets	187,364	435,115	158,727		
Current assets	93,558	86,592	14,548		
Non-current liabilities	(21,401)	(280,205)	(78,295)		
Current liabilities	(20,189)	(137,393)	(15,180)		
Net assets	239,332	104,109	79,800		
Group's share in net assets of investee at beginning of the year	49,629	55,075	22,692	10,895	138,291
Group's share of:					
– (loss)/profit for the year	(545)	(6,136)	2,875	(33)	(3,839)
– OCI	741	–	(14)	–	727
– total comprehensive income/(loss)	196	(6,136)	2,861	(33)	(3,112)
Translation	693	(8)	–	7	692
Group's contribution during the year	9,315	–	–	–	9,315
Dividends received during the year	–	–	(2,430)	–	(2,430)
Group's fair value adjustments at acquisition	–	–	817	–	817
Carrying amount of interest in investee at end of the year	59,833	48,931	23,940	10,869	143,573

Notes to the Financial Statements

7 ASSOCIATES AND JOINT VENTURES (CONT'D)

The Group has not recognised losses totalling $3,517,000 (2016: $2,824,000) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

The Group's unquoted equity securities with a carrying amount of $80,200,000 (2016: $72,872,000) have been pledged as collateral for project finance facilities granted to the associates.

As at the reporting date, the Group concluded that the carrying amount of an associate, after equity accounting of post-acquisition losses is higher than the recoverable amount, and therefore, recognised an impairment loss of $6,678,000 (2016: $nil) on this associate.

Joint ventures

The following are details for joint ventures:

Name of joint venture	Principal activity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Held through subsidiaries				
Star Infrastructure Development (T) Limited	Development of infrastructure, utilities and environmental solutions for integrated township projects	Tanzania	49	49
PT Oasis Waters Limited	Sale and distribution of bottled water	Indonesia	50	50

Despite having an equity interest of 49%, Star Infrastructure Development (T) Limited is classified as a joint venture as the Group has joint control rights over this entity.

The following table summarises the aggregate financial information of the joint ventures based on its respective financial statements.

	2017 $'000	2016 $'000
Revenue	87,905	69,684
(Loss)/profit for the year [1]	(733)	2,218
Total comprehensive (loss)/income	(733)	2,218

[1] Includes:
- depreciation and amortisation of $12,568,000 (2016: $3,543,000)
- interest expense of $7,814,000 (2016: $6,089,000)
- income tax expense of $281,000 (2016: $1,005,000)

Notes to the Financial Statements

7 ASSOCIATES AND JOINT VENTURES (CONT'D)

	2017 $'000	2016 $'000
Non-current assets	124,572	122,564
Current assets [1]	39,126	38,719
Non-current liabilities [2]	(30,954)	(35,106)
Current liabilities [3]	(53,189)	(41,203)
Net assets	79,555	84,974

[1] Includes cash and cash equivalents of $933,000 (2016: $926,000)

[2] Includes non-current financial liabilities (excluding trade and other payables and provision) of $28,750,000 (2016: $27,792,000)

[3] Includes current financial liabilities (excluding trade and other payables and provision) of $43,919,000 (2016: $42,455,000)

	2017 $'000	2016 $'000
Group's share in net assets of investees at beginning of the year	42,344	7,374
Share of total comprehensive (loss)/income	(1,485)	1,109
Translation	(1,225)	517
Group's contribution during the year	–	33,344
Carrying amount of interest in investees at end of the year	39,634	42,344

8 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Group				
Property, plant and equipment	–	–	1,172	1,396
Intangible assets	–	–	2,963	3,353
Derivatives	(6,345)	–	–	–
Tax loss carry-forwards	(10,401)	(54,466)	–	–
Deferred tax (assets)/liabilities	(16,746)	(54,466)	4,135	4,749
Set off of tax	(369)	–	369	–
Net deferred tax (assets)/liabilities	(17,115)	(54,466)	4,504	4,749

Notes to the Financial Statements

8 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Movement in deferred tax balances during the year

	Balance as at 1 January 2016 $'000	Recognised in profit or loss[1] $'000	Exchange differences $'000	Balance as at 31 December 2016 $'000	Recognised in profit or loss[1] $'000	Recognised in other comprehensive income $'000	Reclassified to assets held for sale $'000	Group tax relief $'000	Exchange differences $'000	Balance as at 31 December 2017 $'000
Group										
Property, plant and equipment	1,109	287	–	1,396	(246)	–	22	–	–	1,172
Intangible assets	3,602	(249)	–	3,353	(390)	–	–	–	–	2,963
Derivatives	–	–	–	–	–	(6,345)	–	–	–	(6,345)
Tax loss carry-forwards	(31,072)	(23,536)	142	(54,466)	(28,528)	–	57,000	15,548	45	(10,401)
	(26,361)	(23,498)	142	(49,717)	(29,164)	(6,345)	57,022	15,548	45	(12,611)

[1] See note 23

Notes to the Financial Statements

8 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Tax losses	105,480	112,393	–	–

Tax losses carried forward

Tax losses of $99,577,000 (2016: $106,490,000) expire in 2018 to 2025 (2016: 2017 to 2024). The remaining tax losses and the 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.

9 SERVICE CONCESSION RECEIVABLES

	Group	
	2017	**2016**
	$'000	**$'000**
		Restated
Non-current	1,157,945	1,222,845
Current	6,219	14,555
Total	1,164,164	1,237,400

The subsidiaries in Singapore, Oman and the PRC each has entered into service concession arrangements with the local offtakers. Under these arrangements, the subsidiaries are to supply waste treatment services and treated water to the local governments for periods ranging from 20 years to 30 years. During the year, the Group recorded construction revenue of $190,557,000 (2016: $690,912,000) for the service concession arrangements. All of these arrangements fall within the scope of INT FRS 112.

The significant aspects of the service concession arrangements are as follows:

i. The subsidiaries will receive a minimum guaranteed sum from the grantors in exchange for services performed. The subsidiaries recognised these as service concession receivables as they have contractual rights under the concession arrangement. The service concession receivables are measured on initial recognition at their fair values using the respective market rate of interest, which requires management to exercise judgement;

ii. Under the arrangements, the subsidiaries are required to design, construct, operate, manage and maintain the assets; and

iii. Upon expiry of the concession arrangements, the assets are to be transferred to the local governments between 2037 to 2044. Any extension will be based on mutual agreement.

Notes to the Financial Statements

10 TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Group		Company	
	2017 $'000	2016 $'000 Restated	2017 $'000	2016 $'000
Trade receivables	124,155	152,609	–	–
Prepayments	18,091	35,804	3,398	4,360
Derivatives:				
– foreign currency contract	–	2,347	–	–
– interest rate swaps used for hedging	3,291	–	–	–
– fuel contracts	–	8,721	–	–
Other receivables	21,509	49,627	238	59
Loan to a joint venture	–	81,261	–	–
Tax recoverable	12,727	–	4,561	–
Amounts due from:				
– subsidiaries (trade)	–	–	8,838	13,257
– subsidiaries (non-trade)	–	–	1,664,358	1,821,245
– joint ventures (trade)	728	19,458	–	–
– joint ventures (non-trade)	72	3,705	–	–
– associates (trade)	70,479	77,245	–	–
– associates (non-trade)	739	722	5,595	6,006
	251,791	431,499	1,686,988	1,844,927
Non-current	3,000	3,751	895,791	1,163,449
Current	248,791	427,748	791,197	681,478
Total	251,791	431,499	1,686,988	1,844,927

As at 31 December 2017, trade receivables of the Group included retention sum of $4,972,000 (2016: $5,909,000) related to construction contracts in progress.

Amounts due from related parties

As at 31 December 2016, loan to a joint venture of $81,261,000 bearing interest at 4.80% per annum has been fully repaid in 2017. Other than the loan to a joint venture, the current amounts due from subsidiaries, joint ventures and associates are interest-free and are repayable on demand.

Outstanding balances with subsidiaries, joint ventures and associates are unsecured. Except for an allowance for doubtful debts of $956,000 (2016: $1,028,000), there was no other allowance for doubtful debts arising from the outstanding balances.

Except for balances amounting to $874,112,000 (2016: $1,043,374,000) that bear interest at rates ranging between 1.8% to 6.5% (2016: 1.9% to 6.5%) per annum, 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 interest in the subsidiaries, they are stated at cost.

Notes to the Financial Statements

10 TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONT'D)

Information about the Group's and the Company's exposures to credit and currency risks, and impairment losses for trade and other receivables is included in note 27.

11 GROSS AMOUNTS DUE FOR CONTRACT WORK

	Note	Group 2017 $'000	Group 2016 $'000
Costs incurred and attributable profits (less foreseeable losses)		1,453,615	1,314,196
Less: Progress billings		(1,417,398)	(1,254,647)
		36,217	59,549
Comprising of:			
Gross amounts due for contract work		42,895	69,656
Progress billings in excess of construction work-in-progress	15	(6,678)	(10,107)
		36,217	59,549

12 INVENTORIES

	Group 2017 $'000	Group 2016 $'000 Restated
Raw materials and consumables	25,934	18,582
Work in progress	8,108	8,466
Finished goods	14,957	17,726
	48,999	44,774

During the year, inventories of the Group amounting to $2,188,000 (2016: $nil) were written down to its net realisable value. The write-down was included as part of other expenses in profit or loss.

Notes to the Financial Statements

13 CASH AND CASH EQUIVALENTS

	Note	Group 2017 $'000	Group 2016 $'000 Restated	Company 2017 $'000	Company 2016 $'000
Bank balances		212,178	136,196	4,160	4,799
Short term deposits		101,990	195,973	93,109	180,683
Cash and cash equivalents in the statements of financial position		314,168	332,169	97,269	185,482
Restricted bank balances		(66,955)	(52,987)		
Bank overdrafts used for cash management purposes	16	–	(23,839)		
Cash and cash equivalents included in assets held for sale	14	77,162	4,979		
Cash and cash equivalents in the consolidated statement of cash flows		324,375	260,322		

Restricted bank balances include bank balances of certain subsidiaries which are restricted under bank covenants and pledged as security to obtain credit facilities (see note 16).

14 DISPOSAL GROUPS HELD FOR SALE

a) In 2015, management committed to a plan to sell its equity interest in Hyflux NewSpring (Wuhu) Co., Ltd ("Wuhu SPC") within the municipal segment. Accordingly, the identified assets and liabilities of the Wuhu SPC were presented as a disposal group held for sale since 31 December 2015.

The completion of the sale of Wuhu SPC is subject to administrative procedures with the Chinese regulatory bodies.

b) In 2015, management committed to a plan to sell its 50% interest in Galaxy NewSpring Pte. Ltd. ("Galaxy Disposal Group"), which was accounted for as interest in a joint venture. Accordingly, the Galaxy Disposal Group was presented as a disposal group held for sale as at 31 December 2016. In March 2017, the Group completed the sale of Galaxy Disposal Group.

The Group's share of the cumulative translation and capital reserves totalling $15,611,000 relating to the Galaxy Disposal Group was recognised in OCI. Including the amount recognised in OCI, a total gain of $16,491,000 was recognised in "Other Income".

c) In October 2016, management committed to a plan to sell its entire equity interest in Tianjin Dagang NewSpring Co., Ltd and its holding companies (collectively "Dagang Disposal Group"). While the Group remains committed to the divestment of the Dagang Disposal Group, the sale process has extended beyond one year. As the criteria set out in FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are no longer met, the Group ceases to classify the Dagang Disposal Group as Held for Sale. Accordingly, identified assets and liabilities of the Dagang Group were reinstated from Held for Sale as at 31 December 2016 and 2017 respectively.

In reinstating the Dagang Disposal Group in 2017, the assets have been adjusted for depreciation of $929,000 that would have been recognised had the disposal group not been classified as held for sale. Financial statements for the financial year ended 31 December 2016 has been restated.

Notes to the Financial Statements

14 DISPOSAL GROUPS HELD FOR SALE (CONT'D)

d) In January 2017, management committed to a plan to sell part of its equity interest in Tuaspring Pte. Ltd. and Hyflux Energy Pte. Ltd. (collectively "Tuaspring Disposal Group") within the municipal and industrial segments. Accordingly, the identified assets and liabilities of the Tuaspring Disposal Group were presented as a disposal group held for sale as at 31 December 2017. The Tuaspring Disposal Group is a component of the Group where its operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. Accordingly, the results of the Tuaspring Disposal Group have been disclosed as a single amount in the statement of comprehensive income.

For the Tuaspring Disposal Group to be classified as held for sale, the asset needs to meet with certain criteria as set out in FRS 105. The criteria set out includes, inter alia, that the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. The sale of the Tuaspring Disposal Group has extended beyond one year. As the delay is caused by events beyond the Group's control and the Group remains committed to its plan to sell the disposal group, the disposal group is permitted to continue to be classified as held for sale by the FRS 105. See note 32 for more details.

Assets and liabilities of disposal groups held for sale

At 31 December 2017, the disposal groups were stated at the lower of its respective carrying amounts and fair values less costs to sell and comprised the following assets and liabilities:

		Group	
	Note	2017 $'000	2016 $'000 Restated
Property, plant and equipment	4	1,949	5
Intangible assets arising from service concession arrangements		1,092,682	–
Investment in joint venture		–	189,883
Service concession receivables		222,086	–
Deferred tax assets		57,022	–
Inventories		945	16
Trade and other receivables		29,445	280
Cash and cash equivalents	13	77,162	4,979
Assets held for sale		1,481,291	195,163
Trade and other payables		64,093	161
Loans and borrowings		514,825	–
Tax payable		269	8
Liabilities held for sale		579,187	169

Cumulative income or expenses recognised in OCI

Cumulative expenses of $13,776,000 (2016: $7,457,000) in relation to the effective portion of changes in fair value of cash flow hedges was included in the OCI related to the disposal groups.

Notes to the Financial Statements

15 TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2017 $'000	2016 $'000 Restated	2017 $'000	2016 $'000
Trade payables					
Current					
Trade payables		409,531	473,743	–	–
Progress payments from customers	11	6,678	10,107	–	–
Accrued expenses		26,215	34,054	808	779
Provision for contract costs		21,327	–	–	–
Amounts due to:					
– subsidiaries (non-trade)		–	–	71,048	24,945
– joint ventures (trade)		–	2,500	–	–
– joint ventures (non-trade)		–	842	–	–
– associates (trade)		7,224	7,035	–	–
		470,975	528,281	71,856	25,724
Other payables					
Current					
Other payables		16,218	28,297	4,970	4,105
Derivatives:					
– electricity futures	27	–	11,483	–	–
– fuel contracts	27	–	536	–	–
– interest rate swaps used for hedging	27	4,333	11,192	–	–
		20,551	51,508	4,970	4,105
Non-current					
Derivatives:					
– fuel contracts		–	289	–	–
– interest rate swaps used for hedging		35,895	14,231	–	–
		35,895	14,520	–	–
		56,446	66,028	4,970	4,105
Trade and other payables					
Non-current		35,895	14,520	–	–
Current		491,526	579,789	76,826	29,829
Total		527,421	594,309	76,826	29,829

Information about the Group's and the Company's exposure to currency risk and to liquidity risk related to trade and other payables is included in note 27.

Outstanding balances with the related parties are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

16 LOANS AND BORROWINGS

	Group		Company	
	2017 $'000	2016 $'000 Restated	2017 $'000	2016 $'000
Non-current liabilities				
Secured bank loans	489,247	562,783	–	–
Unsecured bank loans	518,127	539,277	338,716	320,686
Unsecured notes	164,834	264,603	164,834	264,603
Unsecured loans from NCI	987	837	–	–
	1,173,195	1,367,500	503,550	585,289
Current liabilities				
Current portion of secured bank loans	–	1,049	–	–
Unsecured bank loans	252,513	280,039	190,397	240,597
Unsecured notes	99,949	–	99,949	–
Bank overdraft	–	23,839	–	–
	352,462	304,927	290,346	240,597
Total	1,525,657	1,672,427	793,896	825,886

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 27.

Terms and debt repayment schedule

Terms of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	2017 Face value $'000	2017 Carrying amount $'000	2016 Face value $'000	2016 Carrying amount $'000
Group							
Secured bank loans	SGD/USD	2.65% – 4.32%	2019 – 2043	498,190	489,247	570,702	563,832
Unsecured bank loans	(i)	1.70% – 7.50%	2018 – 2026	777,979	770,640	827,261	819,316
Unsecured notes	SGD	4.20% – 4.60%	2018 – 2019	265,000	264,783	265,000	264,603
Unsecured loans from NCI	SGD	1.81% – 1.88%	2019	987	987	837	837
Bank overdraft	DZD	9%	2017	–	–	23,839	23,839
Total interest-bearing liabilities				1,542,156	1,525,657	1,687,639	1,672,427
Company							
Unsecured bank loans	(ii)	1.70% – 3.68%	2018 – 2021	529,113	529,113	561,283	561,283
Unsecured notes	SGD	4.20% – 4.60%	2018 –2019	265,000	264,783	265,000	264,603
Total interest-bearing liabilities				794,113	793,896	826,283	825,886

(i) Unsecured bank loans for the Group are denominated in various currencies, including SGD, USD, RMB and DZD.

(ii) Unsecured bank loans for the Company are denominated in various currencies, including SGD and USD.

(iii) The secured bank loans of the Group relating to project financing of subsidiaries are secured over intangible assets arising from service concession arrangements of $Nil (2016: $1,083,682,000) (see note 6); and service concession receivables of $980,406,000 (2016: $1,045,308,000) (see note 9).

16 LOANS AND BORROWINGS (CONT'D)

Intra-group financial guarantee

Intra-group financial guarantee comprises guarantees given by the Company and the Group of $454,439,000 (2016: $427,603,000) and $520,140,000 (2016: $595,992,000) respectively granted to its wholly-owned subsidiaries. The guarantees expire in periods ranging from 2018 to 2026 (2016: 2017 to 2026).

At the reporting date, the Company and the Group do not consider it probable that a claim will be made against the Group and the Company under the guarantees.

Reconciliation of movements of liabilities to cash flows arising from financing activities

		Liabilities			Equity				Assets	
	Note	Bank overdraft $'000	Other loans and borrowings $'000	Interest payables $'000	Perpetual securities $'000	Retained earnings $'000	Capital reserve $'000	Non-controlling interests $'000	Restricted bank balances $'000	Total $'000
Restated balance at 1 January 2017		23,839	1,648,588	4,221	785,280	209,398	16,720	21,326	(52,987)	2,656,385
Changes from financing cash flows										
Proceeds from borrowings		–	814,499	–	–	–	–	–	–	814,499
Repayment of borrowings		–	(412,370)	–	–	–	–	–	–	(412,370)
Interest paid		–	–	(87,719)	–	–	–	–	–	(87,719)
Redemption of perpetual securities		–	–	–	(290,482)	–	(4,518)	–	–	(295,000)
Contribution from NCI		–	–	–	–	–	–	12,769	–	12,769
Dividends		–	–	–	–	(64,510)	–	–	–	(64,510)
Restricted bank balances		–	–	–	–	–	–	–	(15,309)	(15,309)
Total change from financing cash flows		–	402,129	(87,719)	(290,482)	(64,510)	(4,518)	12,769	(15,309)	(47,640)
Effect of movement in exchange rates		–	(3,632)	–	–	–	–	–	1,341	(2,291)

Notes to the Financial Statements

16 LOANS AND BORROWINGS (CONT'D)

		Liabilities			Equity				Assets	
	Note	Bank overdraft $'000	Other loans and borrowings $'000	Interest payables $'000	Perpetual securities $'000	Retained earnings $'000	Capital reserve $'000	Non-controlling interests $'000	Restricted bank balances $'000	Total $'000
<u>Other changes</u>										
Change in bank overdraft		(23,839)	–	–	–	–	–	–	–	(23,839)
Payment of transaction costs related to loans and borrowings		–	(10,212)	–	–	–	–	–	–	(10,212)
Capitalised borrowing costs		–	3,609	(856)	–	–	–	–	–	2,753
Interest expense		–	–	89,698	–	–	–	–	–	89,698
Reclassification to Liabilities Held for Sale	14	–	(514,825)	–	–	–	–	–	–	(514,825)
Total liability-related changes		(23,839)	(521,428)	88,842	–	–	–	–	–	(456,425)
Total equity-related changes		–	–	–	–	(119,348)	2,807	(8,548)	–	(125,089)
Balance at 31 December 2017		–	1,525,657	5,344	494,798	25,540	15,009	25,547	(66,955)	2,024,940

Notes to the Financial Statements

17 SHARE CAPITAL

	Ordinary shares		Perpetual preference shares		Treasury shares	
	2017	2016	2017	2016	2017	2016
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Company						
Balance at 1 January and 31 December	785,285	785,285	4,000	4,000	79,246	79,246

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

All issued ordinary 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.

Perpetual preference shares
Holders of perpetual preference shares receive a cumulative dividend of 6% per annum of their liquidation preference (being $100 per preference share), 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 Offer Information Statement dated 13 April 2011 ("OIS").

The perpetual preference shares do not carry the right to vote at general meetings except in certain limited circumstances as 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.

Notes to the Financial Statements

18 PERPETUAL SECURITIES

	Group and Company 2017 $'000	2016 $'000
Principal amount of:		
– $300 million at 5.75% per annum, issued on 23 January 2014, net of $5 million repurchased in September 2016	–	290,482
– $500 million at 6.00% per annum, issued on 27 May 2016	494,798	494,798
	494,798	785,280

In May 2016, the Company issued perpetual securities with principal amount of $500,000,000 bearing distribution at a rate of 6.0% per annum. In respect of these perpetual securities, costs incurred amounting to $5,202,000 were recognised in equity as a deduction from proceeds.

In July 2016, the Company fully redeemed perpetual securities with principal amount of $175,000,000 bearing distribution at a rate of 4.8% per annum.

In September 2016, the Company repurchased $5,000,000 of perpetual securities with principal amount of $300,000,000 bearing distributions at a rate of 5.75% per annum. The perpetual securities bought back from the market were held in treasury.

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

As there is no contractual obligation to repay its principal or to pay distribution on the perpetual securities, these instruments do not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments*: *Disclosure and Presentation*. The instrument is presented within equity, and distributions are treated as dividends.

In January 2017, the Company redeemed the remaining perpetual securities with principal amount of $295,000,000.

During the financial year, distributions amounting to $38,551,000 (2016: $40,844,000) were paid to perpetual security holders.

19 RESERVES

The reserves of the Group and the Company comprise the following balances:

	Group 2017 $'000	Group 2016 $'000 Restated	Company 2017 $'000	Company 2016 $'000
Capital reserve	15,009	16,720	9,222	11,373
Translation reserve	(39,982)	(7,152)	–	–
Hedging reserve	(60,450)	(24,207)	–	–
Employees' share option reserve	25,771	25,392	25,771	25,392
	(59,652)	10,753	34,993	36,765

Notes to the Financial Statements

19 RESERVES (CONT'D)

Capital reserve

The capital reserve comprises:

(a) Statutory reserve fund in accordance to local regulatory requirements which may be used to offset any accumulated losses or increase registered capital of the relevant subsidiaries.

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

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

Translation reserve

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

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or item affect profit or loss.

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.

Dividends

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

For the year ended 31 December

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Paid by the Company to owners of the Company		
0.25 cents per qualifying ordinary share (2016: 1.20 cents)	1,963	9,423
6% (2016: 6%) per annum for perpetual preference shares	23,996	24,063
	25,959	33,486

After the respective reporting dates, the following dividends were proposed by the directors. These dividends have not been provided for.

	Group and Company	
	2017	**2016**
	$'000	**$'000**
17.83 cents (2016: 0.25 cents) per qualifying ordinary share	14,000	1,963

The proposed dividend of 17.83 cents per ordinary share is in the form of dividend *in specie* of approximately 70% of the ordinary shares held directly by the Company in HyfluxShop Holdings Ltd. (formally known as HyfluxShop Holdings Pte. Ltd.) ("HyfluxShop"), a wholly-owned subsidiary, to the ordinary shareholders ("Proposed Distribution"). The Proposed Distribution is subject to the approval of the ordinary shareholders (see note 33).

Notes to the Financial Statements

20 SHARE-BASED PAYMENT ARRANGEMENTS

As at 31 December 2017, the Group has the following share-based payment arrangements.

Share option scheme (equity-settled)

On 27 September 2001 and 27 April 2011, the Group established share option schemes that entitle directors and employees to purchase shares in the Company. Under these schemes, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant. Olivia Lum Ooi Lin, the Executive Chairman and Group CEO and controlling shareholder[1] is entitled to participate in the 2001 Scheme and the 2011 Scheme (collectively the "Schemes"), subject to a maximum of 10% of the total number of shares which may be issued by the Company under the respective schemes.

The options are exercisable 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 fair value of the share options has been measured based on the Black-Scholes formula.

The inputs used in the measurement of the fair values at grant date of the share-based payment plans were as follows:

Fair value of share options and assumptions

Date of grant of options	26 May 2017	17 August 2016
Fair value at grant date	$0.122	$0.066
Share price at grant date	$0.570	$0.510
Exercise price	$0.548	$0.535
Expected volatility (weighted average volatility)	27.3%	24.7%
Expected life (weighted average)	100 days	100 days
Expected dividends	0.91%	2.55%
Risk-free interest rate (based on government bonds)	1.29%	1.05%

Expected volatility has been used on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

[1] The term "controlling shareholder" shall have the same meaning ascribed to it in the SGX-ST Listing Manual.

Notes to the Financial Statements

20 SHARE-BASED PAYMENT ARRANGEMENTS (CONT'D)

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option schemes are as follows:

	Weighted average exercise price 2017	Number of options 2017 '000	Weighted average exercise price 2016	Number of options 2016 '000
Outstanding at 1 January	$1.211	30,303,000	$1.391	28,039,000
Forfeited during the year	$0.861	(3,557,000)	$1.192	(2,337,000)
Expired during the year	$1.854	(525,000)	$1.620	(1,814,000)
Granted during the year	$0.548	5,985,000	$0.535	6,415,000
Option granted but not accepted	$0.548	(100,000)	–	–
Outstanding at 31 December	$1.118	32,106,000	$1.211	30,303,000
Exercisable at 31 December	$1.422	19,567,000	$1.509	18,220,000

The options outstanding as at 31 December 2017 have an exercise price in the range of $0.535 to $2.419 (2016: $0.535 to $2.419) per share and a weighted average contractual life of 5.32 years (2016: 5.63 years).

No option was exercised in 2017 and 2016.

21 REVENUE

	Group 2017 $'000	Group 2016 $'000 Restated
Construction revenue	247,416	728,965
Operating and maintenance income	87,796	80,710
Sale of goods	11,011	12,223
Finance income	5,797	6,066
Others	1,609	2,670
	353,629	830,634

The Group has recognised revenue on construction contracts based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to the ratio of contract costs incurred for work performed to date against the estimated total contract costs for each contract. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and cost recognition.

Judgement is also required in determining the triggering point of suspension of revenue recognition or changes to the percentage of revenue recognised when it is no longer probable that inflow of economic benefits associated with the contracts will occur or as a result of contract modifications. Such considerations include the Group's assessment of the credit-worthiness of customers, contract modifications and an evaluation of the contract performance obligations discharged by the customers.

Notes to the Financial Statements

22 PROFIT FOR THE YEAR

The following items have been included in arriving at (loss)/profit for the year:

	Group	
	2017	**2016**
	$'000	**$'000**
		Restated
Audit fees paid to:		
– auditors of the Company	281	312
– other member firms of KPMG International	144	125
– other auditors	87	119
Non-audit fees paid to:		
– auditors of the Company	–	8
(Gain)/loss on sale of property, plant and equipment	(40,363)	80
Gain on disposal of a joint venture	(16,491)	–
Operating lease expense	29,621	22,350
Provision for contract costs	21,327	–
Interest income:		
– disposal group held for sale	(46,693)	(59,946)
– fixed deposits with financial institutions	(2,031)	(1,385)
– associates	(1,497)	(1,475)
– joint venture	(760)	(1,018)
– others	(162)	(63)
Net foreign currency exchange loss	5,443	1,034
Impairment loss on/(write-back of) trade and other receivables	6,521	(447)
Impairment loss on/(write-back of) inventory obsolescence	2,188	(15)
Impairment loss on property, plant and equipment	2,522	–
Impairment loss on investment in associate	6,678	–
Staff costs		
Salaries, bonuses and other costs	88,064	75,791
Contributions to defined contribution plans	6,154	6,553
Equity-settled share-based payment transactions	372	317
	94,590	82,661

Notes to the Financial Statements

23 TAX CREDITS

	Group	
	2017	2016
	$'000	$'000
		Restated
Tax recognised in profit or loss		
Current tax expense		
Current year	7,342	13,784
Withholding tax expenses	420	–
Changes in estimates related to prior years	(1,700)	911
	6,062	14,695
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(9,054)	4,466
Changes in unrecognised deductible temporary differences	(279)	–
Recognition of tax effect of previously unrecognised tax losses	(145)	(320)
	(9,478)	4,146
Tax (credit)/expense	(3,416)	18,841

The amounts recognised in the profit or loss excludes the tax credit from discontinued operation of $19,426,000 (2016: $27,644,000) which has been included in Loss from Tuaspring (net of tax) in the statement of profit or loss (see note 32).

Tax recognised in OCI

	Group	
	2017	2016
	$'000	$'000
Cash flow hedges	6,345	–

	Group	
	2017	2016
	$'000	$'000
		Restated
Reconciliation of effective tax rate		
(Loss)/Profit before tax	(37,086)	142,939
Tax using Singapore tax rate of 17% (2016: 17%)	(6,305)	24,300
Effect of different tax rates in foreign jurisdictions	790	(3,974)
Tax exempt and non-taxable income	(16,630)	(10,126)
Non-deductible expenses	12,733	7,841
Current year losses for which no deferred tax asset was recognised	7,783	2,378
Recognition of tax effect on previously unrecognised tax losses	(145)	(320)
Withholding tax expenses	420	–
Changes in unrecognised temporary differences	(279)	–
Tax incentives	(68)	(2,633)
Effects of results of equity-accounted investees presented net of tax	(15)	464
Change in estimates related to prior years	(1,700)	911
	(3,416)	18,841

A subsidiary of the Group was granted Pioneer Tax Status in Singapore in respect of the production and sale of membrane systems for 8 years from April 2009. The Pioneer Tax Status of the subsidiary ceased with effect from 1 January 2017. The subsidiary was not subject to any retrospective tax adjustment under the Pioneer Tax Status in respect to the tax exemption on the income arising from the sale of membrane systems previously entitled to under the Pioneer Tax Status prior to 1 January 2017.

Notes to the Financial Statements

24 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 was based on the loss attributable to ordinary shareholders of $171,151,000 (2016: Loss of $59,932,000), and a weighted average number of ordinary shares outstanding of 785,284,989 (2016: 785,284,989), calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2017	**2016**
	$'000	**$'000**
		Restated
(Loss)/profit for the year	(116,352)	3,833
Dividends on perpetual preference shares	(24,000)	(24,063)
Dividends on perpetual securities	(30,799)	(39,702)
Loss attributable to ordinary shareholders	(171,151)	(59,932)
Less: Loss from Tuaspring (see Note 32)	(81,890)	(114,490)
(Loss)/profit (excluding Tuaspring) attributable to ordinary shareholders	(89,261)	54,558

Weighted average number of ordinary shares

	Group	
	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares at 1 January and 31 December	785,285	785,285

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2017 was based on loss attributable to ordinary shareholders of $171,151,000 (2016: $59,932,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 785,284,989 (2016: 785,360,760), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares (basic)	785,285	785,285
Effect of share options on issue	–	76
Weighted average number of ordinary shares (diluted) at 31 December	785,285	785,361

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

25 SEGMENT REPORTING

(a) Operating segments

The Group has the following two strategic business units, which are its reportable segments. 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 Executive Chairman and Group CEO (the chief operating decision maker) reviews internal management reports of each business unit at least quarterly. The following summary describes the operations in each of the Group's reportable segments:

- *Municipal*. Supplier of comprehensive range of infrastructure solutions including water, power and waste-to-energy to municipalities and governments.

- *Industrial*. Supplier of comprehensive range of infrastructure solutions for water to industrial customers.

Other operations include consumer business. None of these other segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

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 Executive Chairman and Group 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 four principal geographical areas, namely Singapore, Middle East & North Africa, People's Republic of China and Rest of the World. 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.

25 SEGMENT REPORTING (CONT'D)

Information about reportable segments

	Municipal		Industrial		All other segments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
		Restated		Restated		Restated		Restated
External revenue	292,012	806,065	56,407	19,459	5,210	5,110	353,629	830,634
Interest income	49,895	62,900	421	321	827	666	51,143	63,887
Finance costs	(52,465)	(45,038)	(4,815)	(871)	(1,170)	(1,860)	(58,450)	(47,769)
Depreciation, amortisation and impairment	(21,100)	(12,202)	(5,522)	(2,318)	(2,298)	(3,476)	(28,920)	(17,996)
Reportable segment (loss)/profit before tax	(25,297)	145,799	(9,296)	1,060	(2,584)	(1,190)	(37,177)	145,669
Share of profit/(loss) of equity-accounted investees (net of tax)	1,574	(3,841)	–	–	(1,483)	1,111	91	(2,730)
Tax credit/(expense)	3,045	(18,920)	(1,310)	(414)	1,681	493	3,416	(18,841)
Reportable segment assets[1]	3,293,984	3,443,684	122,090	168,126	46,487	44,676	3,462,561	3,656,486
Interests in joint ventures	305	308	–	–	39,329	42,036	39,634	42,344
Interests in associates	140,043	143,573	–	–	10,987	–	151,030	143,573
Capital expenditure	10,632	28,019	1,259	2,349	4,091	5,882	15,982	36,250
Reportable segment liabilities[2]	2,523,606	2,173,296	96,101	81,389	25,956	39,632	2,645,663	2,294,317

(1) Included are Assets Held for Sale of $1,481,291,000 (2016: $195,163,000)
(2) Included are Liabilities Held for Sale of $579,187,000 (2016: $169,000)

Notes to the Financial Statements

25 SEGMENT REPORTING (CONT'D)

Geographical information

	Revenue $'000	Non-current assets $'000
31 December 2017		
Singapore	226,766	745,403
Middle East and North Africa	88,728	393,632
People's Republic of China	33,876	320,415
Others	4,259	51,412
	353,629	1,510,862

	Revenue $'000 Restated	Non-current assets $'000 Restated
31 December 2016		
Singapore	520,442	1,975,279
Middle East and North Africa	252,528	397,220
People's Republic of China	48,788	342,472
Others	8,876	43,367
	830,634	2,758,338

Major customer

Revenue from one of the grantors of the Group's municipal segment arising from service concession arrangement represents approximately $177,058,000 (2016: $477,419,000) of the Group's total revenue.

26 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.

Notes to the Financial Statements

26 DETERMINATION OF FAIR VALUES (CONT'D)

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 capacity and specifications, as appropriate. When the Group receives both 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.

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.

Trade and other receivables

The fair value of trade and other 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 foreign exchange forward 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.

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from 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.

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.

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Company's maximum exposures to credit risk, before taking into account collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

Guarantees

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries' liabilities.

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

Trade 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 in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in note 25.

The Group has established 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 trade 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.

Exposure to credit risk

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 trade and other receivables (excluding prepayments) and service concession receivables at the reporting date by type of counterparty was:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Municipal	1,303,575	1,484,005	–	–
Industrial	16,099	34,030	–	–
Subsidiaries	–	–	1,673,195	1,834,498
Joint ventures	800	23,163	1	3
Associates	71,218	77,967	5,594	6,006
Others	6,172	13,930	4,800	60
	1,397,864	1,633,095	1,683,590	1,840,567

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

27 FINANCIAL INSTRUMENTS (CONT'D)

Impairment

The ageing of trade and other receivables (excluding prepayments) and service concession receivables that were not impaired at the reporting date was:

	2017 $'000	2016 $'000
Group		
Neither past due nor impaired	1,234,787	1,435,256
Past due 1 to 60 days	21,083	13,753
Past due 61 to 180 days	4,791	63,562
More than 180 days	137,203	120,524
	1,397,864	1,633,095
Company		
Neither past due nor impaired	993,782	1,840,567
Past due 1 to 60 days	56,394	–
Past due 61 to 180 days	17,506	–
More than 180 days	615,908	–
	1,683,590	1,840,567

The Group and the Company believe that the unimpaired amounts that are past due by more than 60 days are still collectible in full, based on historical payment behaviour and extensive analyses of customer credit risk.

The movement in the allowance for impairment in respect of trade and other receivables (excludes prepayments) during the year was as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	42,040	51,743	1,028	30,706
Impairment loss/(write-back) recognised	16,521	(447)	–	1,000
Amounts written off	(1,472)	(10,112)	–	(30,706)
Exchange differences	(2,179)	856	(72)	28
At 31 December	54,910	42,040	956	1,028

The impairment loss for the Group and the impairment loss for the Company as at 31 December 2017 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to financial difficulties.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due.

Derivatives

The derivatives are entered into with bank and financial institutions which are regulated with long-term credit ratings from A- to AA- (Source: Standard & Poor's). As at 31 December 2017, all derivatives are used as a hedging instrument in a qualifying cash flow hedge.

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $314,168,000 and $97,269,000 respectively as at 31 December 2017 (2016: $332,169,000 and $185,482,000 respectively). These figures represents their maximum credit exposures on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are licensed banks in the countries that the Group operates in.

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.

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year or less $'000	2 – 5 years $'000	More than 5 years $'000
Group					
2017					
Non-derivative financial liabilities					
Secured bank loans	489,247	(718,590)	(21,477)	(119,100)	(578,013)
Unsecured bank loans	770,640	(846,539)	(273,390)	(493,715)	(79,434)
Unsecured notes	264,783	(280,085)	(110,113)	(169,972)	–
Unsecured loans from NCI	987	(1,021)	–	(1,021)	–
Trade and other payables*	480,515	(480,515)	(480,515)	–	–
	2,006,172	(2,326,750)	(885,495)	(783,808)	(657,447)
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	40,228	(106,591)	(4,307)	(34,587)	(67,697)
	2,046,400	(2,433,341)	(889,802)	(818,395)	(725,144)
2016 (Restated)					
Non-derivative financial liabilities					
Bank overdraft	23,839	(23,839)	(23,839)	–	–
Secured bank loans	563,832	(818,864)	(19,703)	(136,254)	(662,907)
Unsecured bank loans	819,316	(902,104)	(297,884)	(487,317)	(116,903)
Unsecured notes	264,603	(291,524)	(11,440)	(280,084)	–
Unsecured loans from NCI	837	(883)	–	(883)	–
Trade and other payables*	546,471	(546,471)	(546,471)	–	–
	2,218,898	(2,583,685)	(899,337)	(904,538)	(779,810)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	25,423	(145,081)	(13,594)	(46,906)	(84,581)
Futures contracts used for hedging (net-settled)	11,483	(11,483)	(11,483)	–	–
Foreign exchange contracts used for hedging (gross-settled)	(2,347)	2,347	2,097	250	–
– outflow		(44,374)	(38,960)	(5,414)	–
– inflow		46,721	41,057	5,664	–
Fuel contracts used for hedging (net-settled)	(7,896)	7,896	7,886	10	–
	2,245,561	(2,730,006)	(914,431)	(951,184)	(864,391)

* Excludes derivatives (shown separately) and progress billing in excess of work-in-progress

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year or less $'000	2 – 5 years $'000	More than 5 years $'000
Company					
2017					
Non-derivative financial liabilities					
Unsecured bank loans	529,113	(559,940)	(200,090)	(359,850)	–
Unsecured notes	264,783	(280,085)	(110,113)	(169,972)	–
Trade and other payables	76,826	(76,826)	(76,826)	–	–
Recognised financial liabilities	870,722	(916,851)	(387,029)	(529,822)	–
2016					
Non-derivative financial liabilities					
Unsecured bank loans	561,283	(577,870)	(233,795)	(344,075)	–
Unsecured notes	264,603	(291,524)	(11,440)	(280,084)	–
Trade and other payables	29,829	(29,829)	(29,829)	–	–
Recognised financial liabilities	855,715	(899,223)	(275,064)	(624,159)	–

The maturity analyses show the undiscounted cash flows of the Group's and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows / (outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate loans.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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.

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

Currency risk

The Group and the Company are exposed to currency risk on sales, purchases, borrowings and inter-company balances that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions primarily are denominated are USD and EUR.

The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts generally are designated as cash flow hedges.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary of quantitative data about the Group's and Company's exposures to currency risk are as follows:

	2017		2016	
	USD	**EUR**	**USD**	**EUR**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Trade and other receivables	112,530	4,938	220,550	2,601
Cash and cash equivalents	75,397	642	24,907	1,911
Loans and borrowings	(246,039)	(19,480)	(301,507)	(30,077)
Trade and other payables	(86,804)	(25,683)	(161,358)	(16,755)
Net statement of financial position exposure	(144,916)	(39,583)	(217,408)	(42,320)
Exposure hedged against forecasted purchase	–	–	(46,751)	–
Net exposure	(144,916)	(39,583)	(264,159)	(42,320)
Company				
Trade and other receivables	435,686	52,323	484,566	47,062
Cash and cash equivalents	55,275	30	14,958	154
Loans and borrowings	(107,781)	(25,683)	(136,056)	(30,077)
Trade and other payables	(64,198)	(75)	(10,601)	(72)
Net exposure	318,982	26,595	352,867	17,067

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the Singapore dollar, as indicated below, against the USD and EUR as at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Profit before income tax $'000	**Equity $'000**	**Profit before income tax $'000**	**Equity $'000**
31 December 2017				
USD (10% strengthening)	14,492	–	(31,898)	–
EUR (10% strengthening)	3,958	–	(2,660)	–
31 December 2016				
USD (10% strengthening)	26,416	4,675	(35,287)	–
EUR (10% strengthening)	4,232	–	(1,707)	–

A weakening of the Singapore dollar against the above currencies 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

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Group Nominal amount		Company Nominal amount	
	2017 $'000	**2016 $'000 Restated**	**2017 $'000**	**2016 $'000**
Fixed rate instruments				
Financial liabilities	(264,783)	(288,442)	(264,783)	(264,603)
Effect of interest rate swaps	(258,744)	(310,490)	–	–
	(523,527)	(598,932)	(264,783)	(264,603)
Variable rate instruments				
Financial liabilities	(1,260,874)	(1,383,985)	(529,114)	(561,283)
Effect of interest rate swaps	258,744	310,490	–	–
	(1,002,130)	(1,073,495)	(529,114)	(561,283)

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

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, in respect of the fixed rate instruments, 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) 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.

	Profit before income tax	
	75 bp increase	**75 bp decrease**
	$'000	**$'000**
Group		
31 December 2017		
Variable rate instruments	(7,516)	7,516
31 December 2016 (Restated)		
Variable rate instruments	(8,051)	8,051
Company		
31 December 2017		
Variable rate instruments	(3,968)	3,968
31 December 2016		
Variable rate instruments	(4,210)	4,210

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

Commodity price risk

The Group manages its costs of purchase of fuel, using commodity derivative instruments. Management manages its commodity price risk using a suite of risk management tools which include hypothetical stress-tests of various scenarios.

The Group enters into commodity derivative instruments, in which it agrees to exchange the difference between the fixed and floating prices, calculated by reference to an agreed-upon principal quantity with its counterparties.

Exposure to commodity risk

The Group's exposure to commodity price risks based on notional amounts are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Fuel contracts	–	40,432

Sensitivity analysis

A change of 10% in fuel contracts price at the reporting date would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity	
	10% increase	**10% decrease**
	$'000	**$'000**
Group		
31 December 2017		
Fuel contracts	–	–
31 December 2016		
Fuel contracts	(12,665)	12,665

The above sensitivity analysis is hypothetical and should not be predictive of the Group's future performance as the physical inventory volume and derivative positions change daily and are not static.

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.

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.

27 FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
31 December 2017									
Financial assets measured at fair value									
Interest rate swaps used for hedging	10	–	3,291	–	3,291	–	3,291	–	3,291
Financial assets not measured at fair value									
Cash and cash equivalents	13	314,168	–	–	314,168				
Trade and other receivables[1]	10	230,409	–	–	230,409				
Service concession receivables	9	1,164,164	–	–	1,164,164	–	1,279,517	–	1,279,517
		1,708,741	3,291	–	1,712,032				
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	15	–	(40,228)	–	(40,228)	–	(40,228)	–	(40,228)
Financial liabilities not measured at fair value									
Secured bank loans	16	–	–	(489,247)	(489,247)				
Unsecured bank loans	16	–	–	(770,640)	(770,640)				
Unsecured notes	16	–	–	(264,783)	(264,783)	–	(261,589)	–	(261,589)
Unsecured loans from NCI	16	–	–	(987)	(987)				
Trade and other payables[2]	15	–	–	(480,515)	(480,515)				
		–	(40,228)	(2,006,172)	(2,046,400)				

(1) Excludes derivatives (shown separately) and prepayments

(2) Excludes derivatives (shown separately) and progress payments from customers

27 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
31 December 2016 (Restated)									
Financial assets measured at fair value									
Derivatives	10	–	11,068	–	11,068	–	11,068	–	11,068
Financial assets not measured at fair value									
Service concession receivables	9	1,237,400	–	–	1,237,400	–	1,312,634	–	1,312,634
Trade and other receivables[1]	10	384,627	–	–	384,627				
Cash and cash equivalents	13	332,169	–	–	332,169				
		1,954,196	11,068	–	1,965,264				
Financial liabilities measured at fair value									
Derivatives	15	–	(37,731)	–	(37,731)	(11,483)	(26,248)	–	(37,731)
Financial liabilities not measured at fair value									
Secured bank loans	16	–	–	(563,832)	(563,832)				
Unsecured bank loans	16	–	–	(819,316)	(819,316)				
Unsecured notes	16	–	–	(264,603)	(264,603)	–	(261,993)	–	(261,993)
Unsecured loans from NCI	16	–	–	(837)	(837)				
Bank overdraft	16	–	–	(23,839)	(23,839)				
Trade and other payables[2]	15	–	–	(546,471)	(546,471)				
		–	(37,731)	(2,218,898)	(2,256,629)				

[1] Excludes derivatives (shown separately) and prepayments
[2] Excludes derivatives (shown separately) and progress payments from customers

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Carrying amount: Loans and receivables $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
Company								
31 December 2017								
Financial assets not measured at fair value								
Cash and cash equivalents	13	97,269	–	97,269				
Trade and other receivables[1]	10	1,683,590	–	1,683,590				
		1,780,859	–	1,780,859				
Financial liabilities not measured at fair value								
Unsecured bank loans	16	–	(529,113)	(529,113)				
Unsecured notes	16	–	(264,783)	(264,783)	–	(261,589)	–	(261,589)
Trade and other payables	15	–	(76,826)	(76,826)				
		–	(870,722)	(870,722)				
31 December 2016								
Financial assets not measured at fair value								
Cash and cash equivalents	13	185,482	–	185,482				
Trade and other receivables[1]	10	1,840,567	–	1,840,567				
		2,026,049	–	2,026,049				
Financial liabilities not measured at fair value								
Unsecured bank loans	16	–	(561,283)	(561,283)				
Unsecured notes	16	–	(264,603)	(264,603)	–	(261,993)	–	(261,993)
Trade and other payables	15	–	(29,829)	(29,829)				
		–	(855,715)	(855,715)				

[1] Excludes derivatives (shown separately) and prepayments

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

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	
	2017	**2016**
Unsecured notes	4.35%	4.34%
Service concession receivables	2.38%-5.44%	2.73% – 5.57%

Derivatives
The fair value of derivative financial instruments such as futures, fuel contracts, foreign currency contracts and interest rate swaps are based on their quoted price (mark-to-market method), if available. If a quoted price is not available, the 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).

Level 3 fair values
The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair value:

	Group Other investment $'000	**Company Other investment $'000**
At 1 January 2016	542	–
Proceeds from disposal received during the year	(553)	–
Gain recognised in profit or loss	11	–
At 31 December 2016	–	–

	Group	
	2017 $'000	**2016 $'000 Restated**
Loans and borrowings	1,525,657	1,672,427
Less: cash and cash equivalents	(314,168)	(332,169)
Net borrowings	1,211,489	1,340,258
Total equity	1,007,562	1,548,086
Net gearing (ratio)	1.20	0.87

Notes to the Financial Statements

27 FINANCIAL INSTRUMENTS (CONT'D)

From time to time, the Company purchases its own shares by way of market purchases or off-market purchases pursuant to the Shares Purchase Mandate (the "Mandate"), which was originally approved by the shareholders at the Extraordinary General Meeting held on 25 April 2008 and last renewed at the Annual General Meeting ("AGM") held on 28 April 2017. No share purchase was made in 2017. The Mandate is subject to renewal annually by shareholders at the AGM.

There were no change in the Group's approach to capital management during the year.

The Group and certain subsidiaries are required to retain a specified consolidated total tangible net worth and certain debt service coverage ratio. These externally imposed capital requirements have been complied with as at the respective reporting dates.

28 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Within one year	27,855	17,848
From two to five years	78,529	49,978
More than five years	149,055	92,606
	255,439	160,432

The Group has various operating lease agreements for site equipment, production facilities, office equipment, offices and rental of land. These leases do not include contingent rentals and typically run for an initial period 1 to 15 years. 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.

29 CAPITAL COMMITMENTS

As at 31 December 2017,

- the Group has outstanding capital commitments relating to property, plant and equipment of $1,132,000 (2016: $7,310,000); and

- the Company has outstanding capital commitments relating to TuasOne waste-to-energy ("WTE") plant of $68,567,000 (2016: $68,567,000).

Notes to the Financial Statements

30 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. 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. The plant has since started operations. As at 31 December 2017, the Group and the project owner have arrived at an agreement to refer this matter to an independent expert for determination.

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. After taking into account the basis of the project owner's claim and the Group's various claims against the project owner, the Group assessed the potential liability and made the appropriate provisions accordingly.

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. The Group has commenced arbitration proceedings against the customer. The Tribunal issued the interim and final award in favour of the Group on 31 August 2017 and 16 January 2018 respectively. The Group will only recognise the award upon receipts.

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 2017, the outcome of the Arbitration remains uncertain.

The Group's project in Qurayyat had met with some delays. At the date of these financial statements, the project is still ongoing. The Group has estimated the potential liabilities it may incur arising from this and made the appropriate provision in the financial statements.

Notes to the Financial Statements

30 CONTINGENCIES (CONT'D)

As at 31 December 2017, the Group recorded net provision of $31,327,000 (2016: $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 disclosed in order not to prejudice the Group's negotiating position.

31 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	
	2017	**2016**
	$'000	**$'000**
Directors' fees	580	580
Short-term employee benefits	2,440	2,644
Share-based payments	63	62
	3,083	3,286
Comprise amounts paid/payable to:		
– Directors of the Company	604	596
– Other key management personnel	2,479	2,690
	3,083	3,286

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Joint ventures				
Revenue from construction contracts	(44)	5,641	–	11,596
Revenue from maintenance contracts	269	6,233	–	6,633
Rental income	–	–	–	1,595
Service income	364	2,718	728	1,465

Notes to the Financial Statements

31 RELATED PARTIES (CONT'D)

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Associates				
Revenue from construction contracts	890	1,326	70,442	94,676
Revenue from maintenance contracts	36,875	30,210	54,453	39,740
Service income	373	127	152	140

32 DISCONTINUED OPERATIONS

In January 2017, management committed to a plan to sell part of its equity interest in the Tuaspring Disposal Group. As such, Tuaspring Disposal Group was presented as a discontinued operation or classified as held for sale (note 14) and the comparative statement of profit or loss has been re-presented to show the discontinued operation separately.

While intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of material transactions between the continuing operations and the discontinued operation in a way that reflects the capital structure of the discontinued operations, as management believes this is useful to the users of the financial statements.

To achieve this presentation, management has not eliminated from the results of the discontinued operation the interest expense on loans extended by the Company to the discontinued operations.

	Group	
	2017	2016
	$'000	$'000
Results of Tuaspring		
External revenue	174,565	156,346
External expenses	(229,188)	(238,534)
Finance cost payable to the Company	(46,693)	(59,946)
Expenses	(275,881)	(298,480)
Results from operating activities	(101,316)	(142,134)
Tax		
– deferred tax	19,686	27,644
– income tax	(260)	–
Results from operating activities, net of tax	(81,890)	(114,490)
Basic loss per share (cents)	10.42	14.58
Diluted loss per share (cents)	10.42	14.58

The results from discontinued operation of $81,890,000 (2016: $114,490,000) is attributable entirely to the owners of the Company.

Notes to the Financial Statements

32 DISCONTINUED OPERATIONS (CONT'D)

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from/(used in) Tuaspring		
Net cash used in operating activities	(18,071)	(33,726)
Net cash used in investing activities	(565)	(779)
Net cash from financing activities	56,748	16,408
Net cash flows for the year	38,112	(18,097)

33 SUBSEQUENT EVENTS

On 28 December 2017, the Group announced the proposed spin-off of the consumer business, via dividend *in specie* up to 70% of the ordinary shares in the issued share capital of HyfluxShop. The proposed dividend *in specie* was approved by the shareholders of Hyflux Ltd at the Extraordinary General Meeting on 1 February 2018 and was completed on 15 February 2018. The effective shareholding in HyfluxShop decreased from 100% to approximately 30.4%.

The Company will continue to be the single largest corporate shareholder and will be exposed and have rights to the variable returns from its involvement with HyfluxShop, and will have the ability to effect those returns through its power over HyfluxShop. Such power and ability to exercise those power over the relevant activities of HyfluxShop are expected to be effected through the management and corporate resources to be provided by the Company to HyfluxShop. As a result, the financial statements of HyfluxShop are expected to be consolidated with the financial statements of the Company in line with the FRS. See note 19.

On 2 January 2018, Hydrochem (S) Pte. Ltd. ("Hydrochem"), a wholly owned subsidiary of Hyflux Ltd, has filed a Notice of Arbitration with the Singapore International Arbitration Centre to commence arbitration proceedings against Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd. and Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. (the "Respondents") in respect of disputes between Hydrochem and the Respondents arising out of and/or in connection with a sub-contract for engineering, procurement, supervision of installation (deployment of technical advisors), testing and commissioning of a waste-to-energy plant dated 12 May 2016 to design, build, own and operate a waste-to-energy plant in Singapore. Hydrochem has also served a copy of its Notice of Arbitration on the Respondents.

34 COMPARATIVE INFORMATION

During 2017, the Group adjusted the comparative amounts by reinstating depreciation by $929,000 to account for the depreciation that would have been recognised had the Dagang Disposal Group not been classified as held for sale since 2016.

See note 14 for details.

Notes to the Financial Statements

35 SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Equity investments, at cost	287,607	267,691
Impairment losses	(13,242)	(13,242)
	274,365	254,449
Loans to subsidiaries	24,509	24,509
	298,874	278,958

Name of subsidiary	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Held by the Company			
Hydrochem (S) Pte Ltd	Singapore	100	100
Hyflux Membrane Manufacturing (S) Pte. Ltd.	Singapore	100	100
Tuaspring Pte Ltd	Singapore	100*	100
Hyflux Engineering Pte Ltd	Singapore	100	100
TuasOne Pte Ltd	Singapore	75	75
Held through subsidiaries			
Hyflux Energy Pte Ltd	Singapore	100*	100
Hydrochem Saudi Limited	Saudi Arabia	100	100
Tianjin Dagang Newspring Co., Ltd	PRC	100#	100
Qurayyat Desalination SAOC	The Sultanate of Oman	85	85

* Classified as held for sale. See note 14 for details.
\# Reinstated from held for sale as at 31 December 2016 and 2017 respectively. See note 14 for details.

Loans to subsidiaries of $24,509,000 (2016: $24,509,000) 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 interests in the subsidiaries, they are stated at cost less impairment losses, if any.

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 loss position. No impairment loss was recognised in the Company's profit or loss in relation to interests in subsidiaries as recoverable amounts were estimated to be higher than the carrying amounts.

KPMG LLP is the auditor of all significant subsidiaries. For this purpose, a subsidiary is considered significant as defined under the SGX Listing Manual if its net tangible assets 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. For the purpose of these financial statements, the Group's consolidated net tangible assets include intangible assets arising from service concession arrangements.

The Group's unquoted equity securities with a carrying amount of $159,842,000 (2016: $159,842,000) have been pledged as collateral for project finance facilities granted to the subsidiaries.

Notes to the Financial Statements

36 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). Singapore incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading on the Singapore Exchange, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, other new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date. These new standards include, among others, SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) 15 Clarifications to SFRS(I) 15, and SFRS(I) 9 *Financial Instruments*.

Summary of quantitative impact

The Group is currently finalising the transition adjustments. The following provides an estimate of the expected impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

The Group does not expect to have significant impact arising from the adoption of SFRS(I) 1 and does not intend to apply any transition provisions or optional exemptions.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has assessed the key terms of their revenue contracts and determined that the current revenue recognition is generally in line with SFRS(I) 15.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Notes to the Financial Statements

36 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

SFRS(I) 9 replaces the current "incurred loss" model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:
- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade and service concession receivables and any contract assets arising from the application of SFRS(I) 15. The Group expects an increase in impairment for trade and other receivables and service concession receivables of $3,712,000 as at 1 January 2018.

The Group is currently finalising the testing of its ECL model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to financial statements for the year 2019 and thereafter
The following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements
- SFRS(I) 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Notes to the Financial Statements

36 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below. The Group also preliminarily assessed that SFRS(I) 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it comes into effect from 1 January 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at a date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to note 28).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 7% of the consolidated total assets and 10% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

Supplementary Information

LIST OF MAJOR PROPERTIES AS OF 31 DECEMBER 2017

Description	Location	Site area (sqm)	Existing use	Approximate total lettable area (sqm)	Tenure	Group's effective interest (%)
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
Office and factory	333,355 Bei Ying Road, Qing Pu, Shanghai China 201799	14,556	Commercial	9,635	50 years commencing from 28 March 2007	100

Statistics of Shareholdings

as at 14 March 2018

ORDINARY SHARES

Class of 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)	:	785,284,989
No. of treasury shares and percentage	:	79,246,000 (10.09%)
No. of subsidiary holdings held	:	Nil

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares (Excluding Treasury Shares)	%
1 – 99	73	0.43	2,240	0.00
100 – 1,000	1,100	6.49	891,020	0.11
1,001 – 10,000	10,742	63.43	55,159,091	7.03
10,001 – 1,000,000	4,987	29.45	197,758,451	25.18
1,000,001 and Above	34	0.20	531,474,187	67.68
TOTAL	**16,936**	**100.00**	**785,284,989**	**100.00**

TWENTY LARGEST ORDINARY SHAREHOLDERS

No.	Name	No. of Ordinary Shares	%
1	OLIVIA LUM OOI LIN	267,351,211	34.05
2	CITIBANK NOMINEES SINGAPORE PTE LTD	57,367,245	7.31
3	DBS NOMINEES (PRIVATE) LIMITED	36,138,837	4.60
4	GOI SENG HUI	29,598,600	3.77
5	RAFFLES NOMINEES (PTE) LIMITED	16,994,606	2.16
6	LIM & TAN SECURITIES PTE LTD	15,797,100	2.01
7	HSBC (SINGAPORE) NOMINEES PTE LTD	15,644,553	1.99
8	MURUGASU DEIRDRE	12,306,267	1.57
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	10,192,175	1.30
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	10,032,984	1.28
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	7,991,753	1.02
12	PHILLIP SECURITIES PTE LTD	7,228,640	0.92
13	DBSN SERVICES PTE. LTD.	7,220,098	0.92
14	UOB KAY HIAN PRIVATE LIMITED	5,443,655	0.69
15	DB NOMINEES (SINGAPORE) PTE LTD	2,895,548	0.37
16	YONG SIEW YOON	2,800,000	0.36
17	OCBC SECURITIES PRIVATE LIMITED	2,470,146	0.31
18	MERRILL LYNCH (SINGAPORE) PTE LTD	1,917,427	0.24
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,899,134	0.24
20	LAW AH TA ARTHUR	1,796,718	0.23
TOTAL		**513,086,697**	**65.34**

Approximately 65.36% 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 14 March 2018

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	13,572	67.51	571,360	14.29
100 – 1,000	6,127	30.48	1,461,300	36.53
1,001 – 10,000	388	1.93	862,800	21.57
10,001 – 1,000,000	17	0.08	1,104,540	27.61
TOTAL	**20,104**	**100.00**	**4,000,000**	**100.00**

TWENTY LARGEST PREFERENCE SHAREHOLDERS

No.	Name	No. of Preference Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	508,458	12.71
2	RAFFLES NOMINEES (PTE) LIMITED	142,850	3.57
3	CITIBANK NOMINEES SINGAPORE PTE LTD	142,760	3.57
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	55,380	1.38
5	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	53,100	1.33
6	PHILLIP SECURITIES PTE LTD	25,710	0.64
7	RONNY SIM	25,430	0.64
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	21,440	0.54
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	20,412	0.51
10	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	16,000	0.40
11	BPSS NOMINEES SINGAPORE (PTE.) LTD.	15,640	0.39
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,650	0.37
13	TAY SOI LEE @ TAY LEE LEE	14,000	0.35
14	CHEW SEE KEE OR GOH EE CHEONG SUZAN	13,900	0.35
15	POON TEO KIM	12,600	0.32
16	HSBC (SINGAPORE) NOMINEES PTE LTD	11,710	0.29
17	TAY HUI LENG (ZHENG HUILING)	10,500	0.26
18	LAI CHOON HUNG	9,000	0.23
19	OCBC SECURITIES PRIVATE LIMITED	8,840	0.22
20	OLIVIA LUM OOI LIN	8,020	0.20
TOTAL		**1,130,400**	**28.27**

Substantial Ordinary Shareholders

As at 14 March 2018

Name of Shareholder	Direct Interest	Deemed Interest	%
Olivia Lum Ooi Lin	267,351,211	–	34.05

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 (Non-Executive Non-Independent Director)

KEY MANAGEMENT COMMITTEE
Olivia Lum Ooi Lin (Chairman)
Lim Suat Wah
Wong Lup Wai
Cheong Aik Hock
Chang Cheow Teck

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 FY2017):
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)
Gay Chee Cheong
Olivia Lum Ooi Lin
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

Arab Bank Plc, Singapore
80 Raffles Place
#32-20 UOB Plaza 2
Singapore 048624

Bank ABC
9 Raffles Place
#60-03 Republic Plaza
Singapore 048619

Bangkok Bank Public Company Limited
180 Cecil Street
Bangkok Bank Building
Singapore 069546

Bank of China
Tianjin Dagang Sub-branch
No. 153 Yongming Road
Dagang District
Binhai New Area, Tianjin,
300270, China

Bank of Kaohsiung
Offshore Banking Branch
6F, 168, Po Ai 2nd Road
Kaohsiung, Taiwan

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 1
Singapore 018960

Clifford Capital Pte Ltd
1 Raffles Quay #23-01
North Tower
Singapore 048583

DBS Bank Ltd
12 Marina Boulevard
DBS Asia Central @ Marina Bay
Financial Centre Tower 3
Singapore 018982

DZ Bank AG Deutsche Zentral-Genossenschaftsbank
Singapore Branch
50 Raffles Place #43-01
Singapore 048623

E.Sun Bank
Singapore Branch
8 Marina View #41-06
Asia Square Tower 1
Singapore 018960

First Commercial Bank
Singapore Branch
77 Robinson Road #01-01
Singapore 068896

Hua Nan Bank
Singapore Branch
80 Robinson Road #14-03
Singapore 068898

ICICI Bank Limited
9 Raffles Place #50-01
Republic Plaza
Singapore 048619

KDB Bank
Singapore Branch
8 Shenton Way
#07-01 AXA Tower
Singapore 068811

KfW IPEX-Bank GmbH
6 Shenton Way #20-11
OUE Downtown 2
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 2
Singapore 048624

Mizuho Bank, Ltd.
Singapore Branch
12 Marina View #08-01 Asia
Square Tower 2Singapore
018961

National Australia Bank Limited
800 Bourke Street, Docklands
Melbourne, Victoria 3008
Australia

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#10-00 OCBC Centre
Singapore 049513

PT. Bank Rakyat Indonesia (Persero) Tbk.
Singapore Branch
50 Collyer Quay #08-06
OUE Bayfront
Singapore 049321

Standard Chartered Bank
8 Marina Boulevard, Level 24
Marina Bay Financial Centre
Tower 1
Singapore 018981

Shinhan Bank
147, Teheran-ro, Gangnam-gu
Seoul, Republic of Korea

Sumitomo Mitsui Trust Bank, Limited
Singapore Branch
One Raffles Quay #24-01
North Tower
Singapore 048583

The Bank of Tokyo-Mitsubishi UFJ, Ltd
Singapore Branch
7 Straits View #23-01
Marina One East Tower
Singapore 018936

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#01-00 HSBC Building
Singapore 049320

United Overseas Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

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
Elo Siloam Pte Ltd
Elo Water 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 Construction Engineering (Singapore) Pte Ltd
Hyflux Consulting Pte Ltd
(formerly known as Hyflux Filtration (S) Pte Ltd)
Hyflux Consumer Products Pte Ltd
Hyflux Energy Pte Ltd
Hyflux Engineering Pte Ltd
Hyflux EPC Pte Ltd
Hyflux Infrastructure 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 Oasis International 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 (NNWT) Pte Ltd
Hyflux Utility WWT (HCWT) Pte Ltd
Hyflux Utility WWTP (WH) Pte Ltd
Hyflux Water Trust Management Pte Ltd
HyfluxShop Pte Ltd
HyfluxShop Holdings Ltd
(formerly known as HyfluxShop Holdings Pte Ltd)
Kallang Infrastructure Pte Ltd
Kallang Spring Pte Ltd
Lavender Infrastructure 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
TuasOne Pte Ltd
TuasOne Environmental Engineering Pte Ltd
Yewa Water Company Pte Ltd

PEOPLE'S REPUBLIC OF CHINA
Eflux (Taizhou) Co., Ltd
Hydrochem Membrane and Membrane Products (Shanghai) Co., Ltd
Hydrochem Engineering (Shanghai) Co., Ltd
(in the process of liquidation)
Elo Commercial Trade (Shanghai) Co., Ltd
Hyflux Filtech (Shanghai) Co., Ltd
Hyflux Hi-tech Product (Yangzhou) Co., Ltd
Hyflux Investment Consultancy and Management Service (Tianjin) Co., Ltd
Hyflux NewSpring (Wuhu) Co., Ltd
Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd
Hyflux NewSpring Sewage Disposal (Funing) Co., Ltd
(in the process of liquidation)
Hyflux Unitech (Shanghai) Co., Ltd
Ningxia Hypow Bio-Technology Co., Ltd
Sinolac (Huludao) Biotech Co., Ltd
Tianjin Dagang NewSpring Co., Ltd

HONG KONG
H.J. NewSpring Limited
Hyflux Utility Water Limited
Hyflux Utility (DF) Limited
Hyflux Utility (HLD) Limited
HyfluxShop Hong Kong Limited
Hyflux Utility (TJ) Limited
Hyflux Utility (YL) Limited
Hyflux Utility WT (LY) Limited
Hyflux Utility WT (XC) Limited
Hyflux Utility WT (YL) Limited
Hyflux Utility WT (YKG) Limited
Hyflux Utility WWT (GY) Limited
Hyflux Utility WWT (XC) Limited
Hyflux Utility WWT (YL) Limited
Hyflux Utility WWT (YKG) Limited
Hyflux Utility WWTP (GY) Limited
Tus Water Group Limited

Hyflux Group of Companies

BRITISH VIRGIN ISLANDS
Hyflux Advanced Technology Ltd
Hyflux International 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.

Hungary
Kaqun Europe Kereskedelmi Zártkörűen Működő Részvénytársaság

INDIA
Hyflux Technology India Private Limited
Hyflux Engineering (India) Private Limited
Hyflux Lifestyle Products (India) Private Limited
Swarnim DahejSpring Desalination Private Limited

INDONESIA
PT Oasis Waters International

MALAYSIA
Elowater Malaysia Sdn Bhd
Lautan Biru (L) Berhad

AUSTRALIA
HyfluxShop Australia Pty Ltd

TAIWAN
HyfluxShop Taiwan Limited

KOREA
HyfluxShop Korea Limited

MIDDLE EAST AND AFRICA
Oman
Hyflux EPC LLC
Hyflux Water Services 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) Limitada

Nigeria
Hyflux Nigeria Private Limited
Serangoon Infrastructure Development Limited
Yewa Water Company Limited

South Africa
RSA Spring (Pty) Ltd

Tanzania
Hyflux Infrastructure (Tanzania) Limited
Star Infrastructure Development (T) Limited

United Arab Emirates – Dubai
Hyflux International Turnkey Contracting LLC

CAYMAN ISLANDS
Hyflux Asset Investment (CWF) Ltd
Hyflux Asset Management (CWF) Ltd

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Company Reg. No.: 200002722Z

SUSTAINABLE SOLUTIONS THAT TRANSFORM LIVES

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