ANNUAL REPORT 2015

SUSTAINABLE SOLUTIONS
THAT TRANSFORM LIVES

Hyflux®

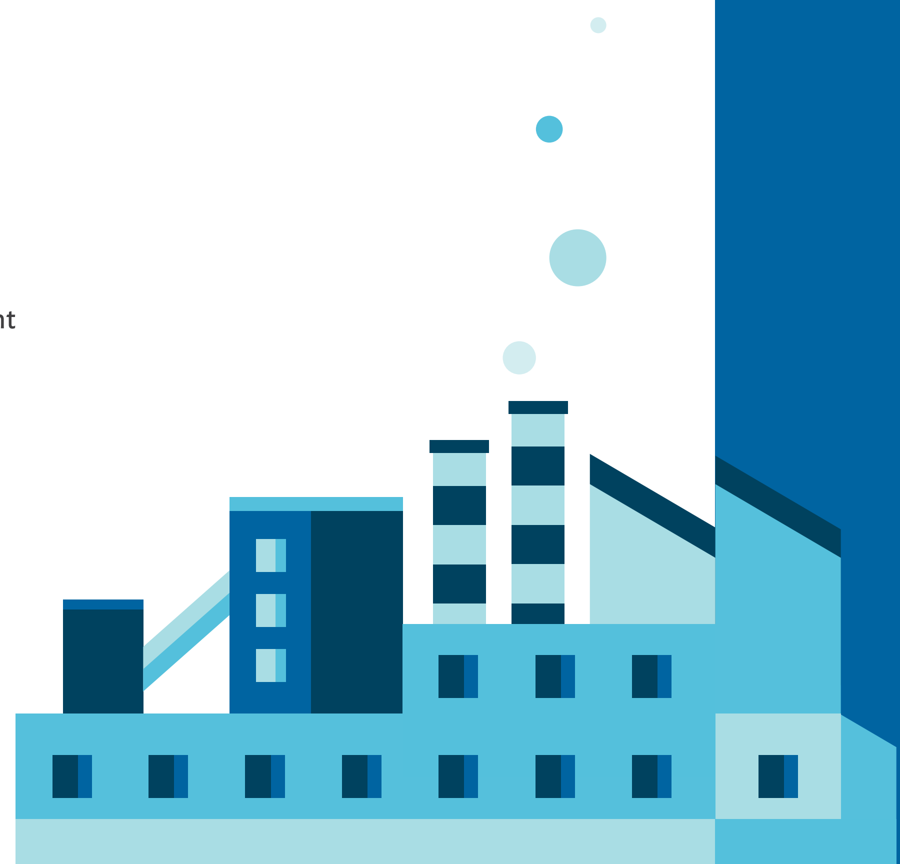
VISION

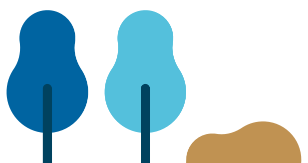
To be the leading company the world seeks for innovative and effective environmental solutions

MISSION

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

CONTENTS





SUSTAINABLE SOLUTIONS THAT TRANSFORM LIVES

As a global leader in sustainable solutions, focusing on the areas of water and energy, Hyflux is committed to providing cost-effective and innovative solutions that contribute to resource optimisation and sustainable growth for communities and industries. 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 entire water value chain. In the area of energy, the company has expanded from energy generation and retail to include waste-to-energy, providing clean and renewable energy.

Hyflux's track record includes Singapore's first water recycling plant and two SWRO desalination plants, and some of the world's largest SWRO desalination plants in Algeria, China, Oman, Saudi Arabia and Singapore. The Group is also developing Asia's first Integrated Water and Power Project and Singapore's largest waste-to-energy plant.

Founded in Singapore in 1989, Hyflux today employs about 2,500 staff worldwide. Headquartered and listed in Singapore, the Group has operations and projects spanning across the Asia Pacific, the Middle East, Africa and the Americas.

GROUP FINANCIAL HIGHLIGHTS

KEY FINANCIAL DATA

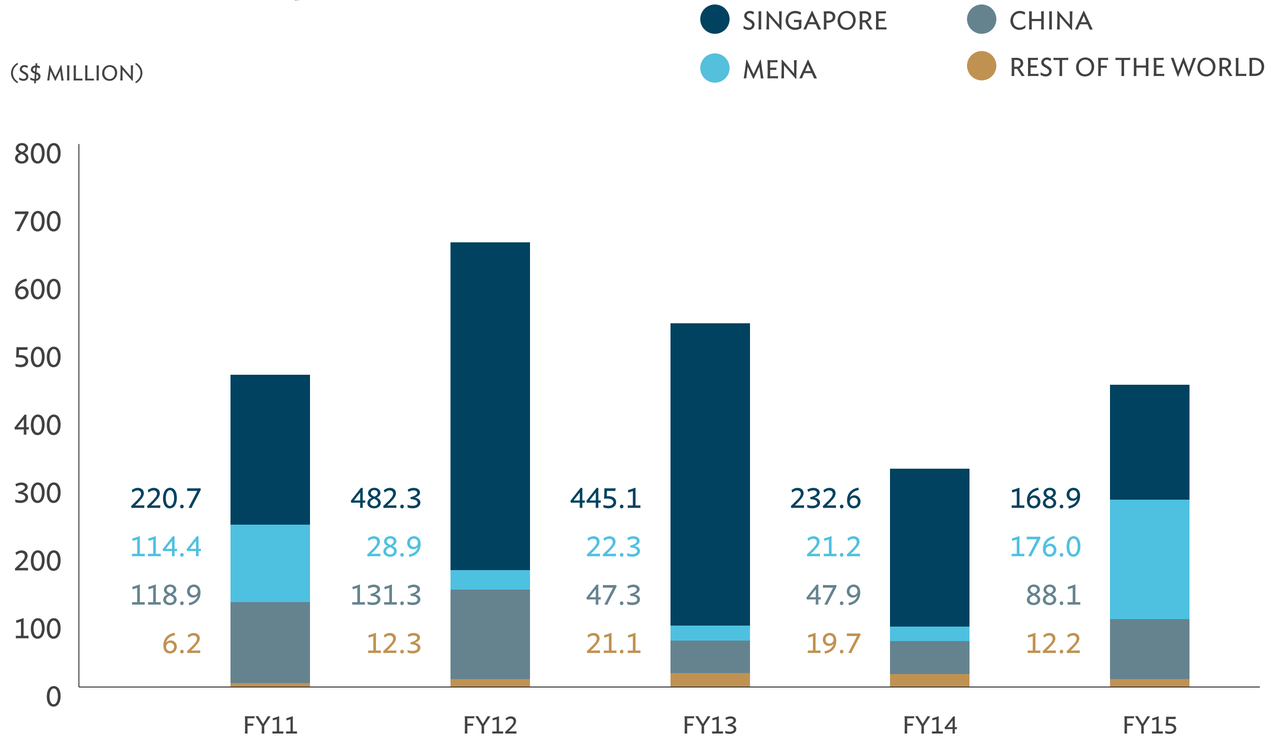
For year ended 31 December

(S$'000)	2011	2012	2013	2014	2015
Revenue	460,188	654,766	535,790	321,394	445,241
Profit before tax	61,704	76,168	51,623	53,060	38,777
Profit after tax	55,725	64,713	42,896	58,813	45,472
Profit attributable to shareholders	53,027	60,994	44,026	57,469	41,273
Shareholders' equity	920,591	860,593	882,574	1,337,181	1,287,468
Total assets	1,887,210	2,189,704	2,396,505	2,741,715	3,025,355
Net assets	935,567	877,029	886,292	1,341,988	1,300,851
Net asset value per share (cents)	60.60	55.81	58.35	56.57	54.23
Earnings/(Loss) per share (cents) (1)	4.30	4.43	2.42	1.66	(1.05)
Dividend per share (cents)	2.77	3.20	2.30	2.30	1.70
Return on revenue (%)	11.5	9.3	8.2	17.9	9.3
Return on equity (%) (2)	5.8	7.1	5.0	4.3	3.2

(1) Adjusted for the effect of 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares (CPS) of S$400 million. FY2014 and FY2015 were also adjusted for the effect of perpetual capital securities.

(2) Equity included CPS and perpetual capital securities.

GROUP REVENUE BY COUNTRY / REGION



MESSAGE FROM EXECUTIVE CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER

OLIVIA LUM
Executive Chairman &
Group Chief Executive Officer

Dear Stakeholders,

Against the backdrop of falling oil prices, China recording its slowest growth in 25 years and coupled with global market volatility, 2015 has been a challenging year for Hyflux. Despite these headwinds, we remained resilient and secured new strategic projects, ventured into new businesses and commissioned a number of projects during the year.

Amid the challenges, we delivered a respectable set of results in 2015. Our Group revenue stood at S$445.2 million in 2015, up 39% from S$321.4 million last year, contributed mainly by the Qurayyat Independent Water Project (IWP) in the Sultanate of Oman. Profit after tax and minority interests (PATMI) was S$41.3 million, down 28% compared with S$57.5 million in 2014. The lower PATMI was mainly due to lower level of divestment activities in 2015 compared with 2014.

In Singapore, Hyflux's 411 MW combined cycle gas turbine power plant co-located with Tuaspring Desalination Plant has been connected to the national power grid since August 2015. Testing and commissioning were successfully completed with Plant Commercial Operation Date achieved in March 2016. Meanwhile, Hyflux and its consortium partner Mitsubishi Heavy Industries signed a 25-year waste-to-energy (WTE) services agreement with Singapore's National Environment Agency (NEA) to provide 3,600 tonnes per day of incineration capacity from the country's sixth and largest WTE plant, TuasOne WTE project, which will be developed on a design-build-own-operate model.

In the Middle East, we signed a 20-year water purchase agreement with Oman Power and Water Procurement Company SAOC to supply desalinated water from the 200,000 m³/day capacity Qurayyat IWP which Hyflux will design, build, own and operate in the Sultanate of Oman. Construction is currently underway. Gaining positive momentum in the region, we also secured two projects in the Kingdom of Saudi Arabia (KSA) – the first to supply a containerised desalination solution to KSA and the second to design, manufacture and supply a seawater reverse osmosis and sulphate removal facilities package to Khurais, Saudi Arabia.

Further extending our presence in the Middle East, Hyflux was awarded a letter of intent by the General Authority for the Suez Canal Economic Zone to construct the Ain Sokhna Integrated Water and Power Project. This is our first integrated water and power project abroad and demonstrates our ability to put together an innovative solution that is recognised internationally.

As part of our asset light strategy and to recycle capital for new investments, we unlocked value and divested our entire stake in five water and wastewater treatment plants in China to Tus Water Group Limited, a new joint venture with Tuspark TSI, of which we own 25% stake.

DELIVERING INNOVATIVE SOLUTIONS

To meet Singapore's increasing waste disposal needs, NEA put up an open tender in late 2014 for the development of Singapore's sixth WTE plant and provision of WTE services over a 25-year period. The tender attracted six bids from local and international companies and together with our consortium partner, we submitted the most competitive and innovative offer and was awarded the contract in September 2015.

Situated on a 4.8 hectare site, the WTE plant will be located next to our Tuaspring Integrated Water and Power Project. When completed and operational in 2019, it will be the most land-efficient WTE plant in Singapore with a processing capacity of 750 tonnes per day per hectare. It will also be Singapore's largest and most energy-efficient WTE plant, producing 2,880MWh of electricity daily, equivalent to 800kWh per tonne of waste incinerated under standard operating conditions. The electricity will be used to power the plant and the excess power will go towards supplying Singapore's needs.

> We are committed to delivering sustainable and innovative environmental solutions for municipalities and industries worldwide to address the global resource challenge.

This win is significant for us as this is Hyflux's first WTE project in Singapore which will showcase our ability to put together a solution that both Singapore and NEA can be proud of, putting us at the forefront and setting new benchmarks for land utilisation and energy recovery efficiency for Singapore. With the growing importance of resource optimisation to urban cities and industries, the development of alternative sources of water as well as the recovery of energy from waste has become crucial. Our business is evolving in response to this global trend. We are committed to delivering sustainable and innovative environmental solutions for municipalities and industries worldwide to address the global resource challenge.

BUILDING A SUSTAINABLE BUSINESS

Global resource challenges and the sustainable cities trend have presented growth opportunities to many in the world. According to the World Resources Institute, 70% of global population will live in cities by 2050, up from the current 50%. Rapid urbanisation has raised global demand for clean water supplies as pollution continues to degrade our freshwater and ecosystems. Currently, more than a billion people still live in water-scarce regions and by 2025, as many as 3.5 billion people could experience water scarcity. At the same time, more than 1.3 billion people in the world still lack access to basic electricity supplies for their everyday lives but electricity generation has already produced more than one-third of global greenhouse gas emissions. The need to shift global energy systems onto a more sustainable path towards renewable energy has become imperative as the world aims to reduce greenhouse gas pollution while meeting the energy needs of the rural and urban population.

As a fully-integrated water and power solutions company, increasing urbanisation has presented business opportunities for Hyflux and our technological innovation will continue to provide reliable long-term solutions to the world's water and energy scarcity challenges. The TuasOne WTE project is an example of how we can efficiently achieve greater environmental sustainability by optimising land use and recycling of waste to provide energy to meet Singapore's electricity and waste management needs. We will continue to enhance our suite of technology in the municipal and industrial water sectors as well as the municipal energy sector to drive resource efficiency and recovery.

> We will continue to enhance our suite of technology in the municipal and industrial water sectors as well as the municipal energy sector to drive resource efficiency and recovery.

GROWING RECURRING INCOME STREAMS

Over the years, Hyflux has been working on growing predictable and recurring income to counter against the "lumpy" recognition of our engineering, procurement and construction (EPC) activities which are mainly project-driven. Our recurring income is expected to grow in 2016 as we capture the full impact of our current portfolio of water projects through asset returns, operations and maintenance, membrane sales and other services.

Looking beyond municipal and industrial projects for recurring income, we are also building up our consumer segment which will contribute to sustainable income. In 2015, Hyflux acquired a 50% stake in PT Oasis, which has the second largest market share of the bottled water and gallon water market in Indonesia. Leveraging the existing distribution network and customer base of PT Oasis, the strategic partnership complements our existing consumer business. Not only will PT Oasis contribute to the future income of the Group but it also provides access to an established distribution platform to consumers in Indonesia.

As consumers take greater interest in and responsibility for their own health, we also see an increasingly attractive opportunity in the consumer segment, particularly the wellness industry. In line with this strategy, we invested in a consumer water technology company, Kaqun Europe Zrt (Kaqun Europe) in November 2015. This investment enables Hyflux to integrate our proprietary technology with Kaqun Europe for a product line based on highly oxygenated water with exclusive rights to manufacture, sell and distribute under the brand name ELO in Asia Pacific, the Middle East and Africa, through a newly established entity called ELO Water in which we own a 70% stake.

With more than 10 years of research, Kaqun Europe pioneered a technology which allows oxygen to exist in a unique, stable and bound form in water that can be beneficially harnessed by the body to promote overall well-being. We are heartened by initial anecdotal evidence from individuals who have tried ELO Drinking Water, and will be embarking on clinical trials to establish stronger statistical evidence of its benefits. By leveraging our expertise in water, we look forward to bringing continuous innovation to this line of products to improve well-being for consumers.

DEVELOPING HUMAN CAPITAL

People are the cornerstone of our business and we recognise that they are our greatest asset and hence place strong emphasis on building our bench strength to bring the Group to the next phase of growth. As we continue to invest in the future of our Group, to develop new products and capabilities, part of our strategy for sustainable growth is to focus on productivity improvement and develop a strong pool of talents through recruiting and retaining the right people.

With our global operations extending into more parts of the Middle East, Africa, Latin America and Asia, opportunities are given to our people to take on leadership roles and grow in different areas through staff redeployment in these countries. We actively identify and encourage Singapore-based employees to move geographically to gain deeper understanding of the markets, nurture their leadership capabilities and cultivate global mindsets.

Localisation is another important pillar of our people strategy for our overseas operations. Not only do we give back to the local communities that we operate in by providing employment opportunities, the locals also contribute to us with good insights into the local socio-political and cultural differences which aid our operations.

DRIVING CORPORATE SOCIAL RESPONSIBILITY

As a leading company that provides innovative and effective environmental solutions to the world, we believe that the goals of business performance and social responsibility are linked. At Hyflux, we are committed to achieving business excellence while sustaining good social and environmental performance. As the Company continues to grow, we want to continue contributing positively towards the communities that we operate in.

During the year, Hyflux has contributed widely towards many good causes and supported the underprivileged in our communities. Most significantly, in celebration of Singapore's 50th birthday, a Hyflux SG50 Family Day was held at the Port of Lost Wonder in Sentosa hosting about 1,000 Hyflux staff and their families. To make the event even more meaningful, as well as to recognise and contribute to the good work that charitable organisations are doing for our society, 100 participants from our five charity beneficiaries from Boys' Town Singapore, Chen Su Lan Methodist Children's Home, Lions Befrienders, Society of the Father and the Son, and Yong-en Care Centre took part in the event. The charity event raised about S$120,000 for the five beneficiaries.

To encourage a spirit of volunteerism, Hyflux held a Hair for Hope 2015 satellite event for the Children's Cancer Foundation at our corporate headquarters at Hyflux Innovation Centre. By volunteering to shave their heads, shavees become ambassadors in helping to raise awareness of childhood cancer among their family and friends. It also provides an opportunity to garner support from the public in the form of donations.

As part of Hyflux's ongoing efforts towards making a positive and meaningful impact in our local community, we also collaborated with the Singapore Red Cross Society to conduct blood donation drives. In 2015, we conducted two blood donation drives and bloodmobiles were set up at our corporate headquarters. Motivated by a keen desire to save lives, 222 staff responded to the cause and 157 units of blood were collected.

> At Hyflux, we are committed to achieving business excellence while sustaining good social and environmental performance.

THANK YOU

On behalf of the Board of Directors, I would like to thank our shareholders, customers, business partners and employees for your continued support to the Company.

To thank our shareholders for holding faith in us during this bumpy year, the Board has proposed a final dividend of 1.00 Singapore cent per ordinary share. Together with an interim dividend of 0.70 Singapore cents per ordinary paid in August 2015, this brings the total dividend for the year to 1.70 Singapore cents per ordinary share.

2016 is expected to be another challenging year. Whilst we remain cautious, we will continue to strengthen our core capabilities and competitiveness through innovation, as well as find new ways to provide cost-effective solutions for our communities and industries.

OLIVIA LUM
Executive Chairman &
Group Chief Executive Officer

BOARD OF DIRECTORS

OLIVIA LUM

Executive Chairman & Group Chief Executive Officer

Date of first appointment as director:
31 March 2000

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

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

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

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

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

LEE JOO HAI

Non-Executive Independent Director

Date of first appointment as director:
19 December 2000

Date of last re-appointment as director:
25 April 2013

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

Mr Lee is a member of the Institute of Singapore Chartered Accountants, CPA Australia, Association of Chartered Certified Accountants (UK), Institute of 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 currently is a director of Kian Ho Bearings Ltd, Agria Corporation, IPC Corporation Limited, Lung Kee Metal Holdings Ltd and SinoCloud Group Limited.

TEO KIANG KOK

Lead Independent Director

Date of first appointment as director:
19 December 2000

Date of last re-appointment as director:
24 April 2014

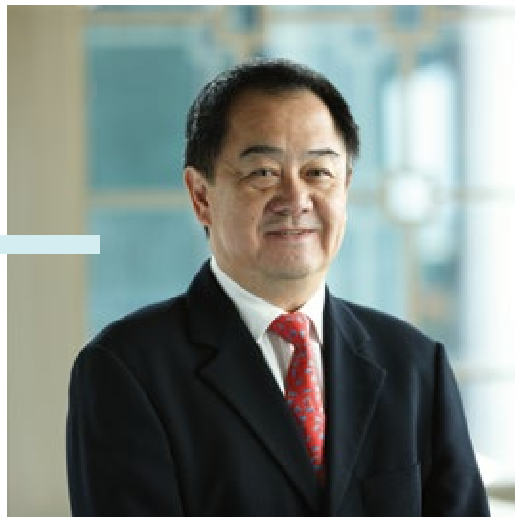
Mr Teo is the Lead Independent Director and chairs all Board meetings. He heads the Board's Nominating Committee and is a member of the Audit, Remuneration and Risk Management Committees.

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

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

Mr Teo also serves on the boards of Jadason Enterprises td, 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

Date of first appointment as director:
3 August 2001

Date of last re-appointment as director:
25 April 2013

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

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

Mr Gay graduated from the Royal Military Academy (RMA), Sandhurst and Royal Military College of Science, Shrivenham, United Kingdom.

He holds Honours degrees in Electronics Engineering from the Royal Military College of Science, Shrivenham and in Economics from the University of London, United Kingdom. He also has a Master of Business Administration from the National University of Singapore.

BOARD OF DIRECTORS

CHRISTOPHER MURUGASU

Non-Executive
Independent Director

Date of first appointment as director:
1 February 2005

Date of last re-appointment as director:
24 April 2014

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

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

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

SIMON TAY

Non-Executive
Independent Director

Date of first appointment as director:
3 May 2011

Date of last re-appointment as director:
29 April 2015

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

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

Mr Tay is also a Senior Consultant at WongPartnership, a leading Asian law firm. He sits on the boards of Mitsubishi United Financial Group, the Liechtenstein Bank and Far East Organization, and is an Independent Director for Eurex Asia, part of the Deutsche Börse Group.

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

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

LAU WING TAT

Non-Executive
Independent Director

Date of first appointment as director:
1 July 2014

Date of last re-appointment as director:
29 April 2015

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

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

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

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

GARY KEE

Non-Executive
Non-Independent Director

Date of first appointment as director:
3 May 2011

Date of last re-appointment as
director: 29 April 2015

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

KEY MANAGEMENT COMMITTEE

Hyflux's Key Management Committee is responsible for driving the Group's strategic vision, formulating business plans to achieve business goals, creating the conditions for successful day-to-day operations and delivering 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

LIM SWEE KWANG
Group Executive Vice President

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

OON CHONG HOWE
Group Senior MD,
Business Development

ROLAND ANG
Group Senior MD,
Business Development

DEREK ONG
Group Senior MD,
Manufacturing

ZHAO QING
Group Senior MD &
Chief Executive Officer, China

ZHAO PING
Group Senior MD &
Chief Executive Officer,
Galaxy NewSpring

PANG YEONG PIAO
Group Senior VP,
Legal

ADRIAN CHONG
Group Senior VP,
Commercial Contracts
and Purchasing

NAH TIEN LIANG
Group Senior VP,
Investment

JEREMY TAN
Group Senior VP,
Human Resource

GEOGRAPHICAL PRESENCE

LANDMARK PROJECTS

Magtaa Desalination Plant, Algeria
Capacity: 500,000 m³/day

Tuaspring Integrated Water and Power Project, Singapore
Capacity: 318,500 m³/day and 411MW

Souk Tleta Desalination Plant, Algeria
Capacity: 200,000 m³/day

Zunyi Wastewater Treatment Plant, China
Capacity: 150,000 m³/day

SingSpring Desalination Plant, Singapore
Capacity: 136,380 m³/day

Tianjin Dagang Desalination Plant, China
Capacity: 100,000 m³/day

Qurayyat Independent Water Project, Oman*
Capacity: 200,000 m³/day

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

Ain Sokhna Integrated Water and Power Project, Egypt
(Letter of intent awarded in March 2016)
Capacity: 150,000 m³/day and 457MW

* development in progress

MORE THAN
1300
MEMBRANE
PRODUCTS & SYSTEMS
INSTALLED IN OVER
400
LOCATIONS WORLDWIDE

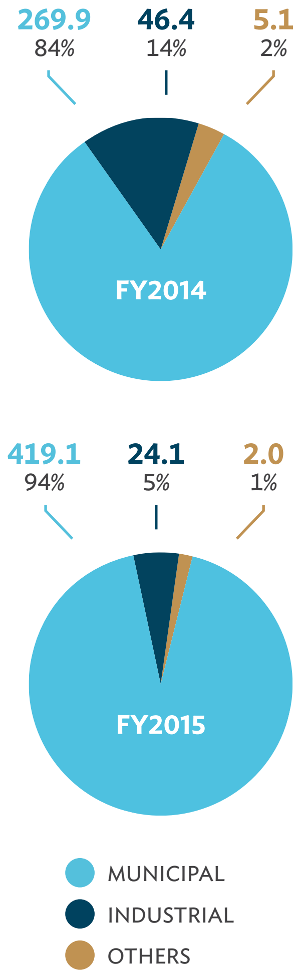
FINANCIAL REVIEW

For year ended 31 December

(S$ MILLION)	2014	2015	% CHANGE
Revenue	321.4	445.2	39
Profit before tax	53.1	38.8	(27)
Profit attributable to shareholders	57.5	41.3	(28)
Earnings/(Loss) per share (cents)	1.66	(1.05)	NM

NM: Not meaningful

GROUP REVENUE BY SEGMENT
(S$ MILLION)



OVERVIEW

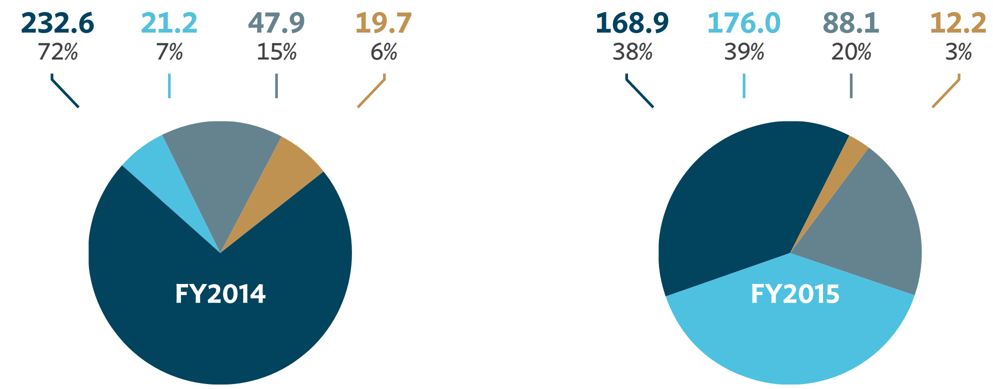
Hyflux as a Group reported profit attributable to the shareholders (PATMI) of S$41.3 million in 2015, 28% decrease from S$57.5 million recorded in 2014. The lower PATMI was mainly due to lower level of divestment activities in 2015 compared to 2014. Group revenue increased by 39% from S$321.4 million in 2014 to S$445.2 million in 2015, contributed mainly by the Qurayyat Independent Water Project (IWP) in the Sultanate of Oman and a containerised desalination system to augment the existing Yanbu Desalination Plant in the Kingdom of Saudi Arabia.

On gross profits, Hyflux reported an increase of 40% to S$221.0 million in 2015 from S$157.5 million in 2014. Basic loss per share was 1.05 cents for 2015 compared to earnings per share of 1.66 cents for 2014. Earnings/ Loss per share were adjusted for dividends on perpetual preference shares and perpetual capital securities.

In 2015, Hyflux completed the following key corporate activities:

- In January 2015, the Group completed the disposal of its leasehold building in China, recognising a disposal gain of S$15.8 million.
- On 9 April 2015, the Group announced the acquisition of 100% equity stake in Hyflux Filtech (Shanghai) Co., Ltd and Hyflux Unitech (Shanghai) Co., Ltd (collectively Filtech entities). A gain from acquisition of S$5.5 million was recognised based on the fair value of net assets acquired.
- On 30 June 2015, the Group announced the divestment of service concession rights for five water and wastewater treatment plants in China to Tus Water Group Limited, a collaboration with Tuspark TSI, of which the Group owns 25% equity stake.
- On 30 July 2015, the Group announced the acquisition of its remaining 50% equity stake in Tianjin Dagang NewSpring Co., Ltd (Tianjin Dagang) in China. A provisional fair value remeasurement gain of S$12.3 million was recognised.
- On 3 November 2015, the Group entered into a sale and purchase agreement with Tus Water Group Limited to dispose of Hyflux Newspring (Wuhu) Co., Ltd. At the same time, discussion with provincial government to sell Hyflux Newspring (Nantong) WWT Co., Ltd is in progress.
- On 4 November 2015, the Group announced its investment in a consumer water technology company, Kaqun Europe Zrt.
- On 6 November 2015, the Group announced the joint venture in Tanzania to develop infrastructure, utilities and environmental solutions for an integrated township project in the Morogoro District of Tanzania.
- On 17 November 2015, the Group announced the acquisition of 50% equity stake in PT Oasis Waters International, a company with existing distribution network and customer base in the bottled water and gallon water market in Indonesia. The first tranche of S$30 million was injected in January 2016 upon completion of the acquisition.

GROUP REVENUE BY COUNTRY / REGION
(S$ MILLION)



REVENUE

Municipal sector continued to be the main contributor to Hyflux's revenue, accounting for 94% or S$419.1 million of the total revenue in 2015. For 2014, the municipal sector contributed 84% at S$269.9 million. Hyflux's municipal projects are in Asia and the Middle East & North Africa (MENA). Revenue from the industrial sector made up 5% or S$24.1 million of Hyflux's revenue in 2015, drop from 14% or S$46.4 million for 2014.

The geographical mix for 2015 shifted from Singapore to MENA reflecting activities level in that region. Revenue contributions from MENA rose to 39% or S$176.0 million from 7% or S$21.2 million in 2014, contributed by the Qurayyat IWP and the containerised desalination system project in Saudi Arabia.

With the substantial completion of the Tuaspring Integrated Water and Power Project (IWPP) construction, Singapore market registered 38% or S$168.9 million revenue in 2015, down from 72% or S$232.6 million in 2014. The Group's China market made up 20% or S$88.1 million of the total revenue in 2015, mainly from water assets divestments, resulting in an increase from 15% or S$47.9 million in 2014.

Rest of the World accounted for 3% or S$12.2 million in 2015, a decrease from 6% or S$19.7 million in 2014.

FINANCIAL REVIEW

OTHER INCOME, COSTS AND EXPENSES

Other Income of S$72.6 million in 2015 saw a 57% reduction from S$170.0 million in 2014. Higher divestment gains were recognised in 2014 from the sale and leaseback of Hyflux Innovation Centre and gain from disposal of the Group's investments in Hyflux Marmon Development Pte Ltd, a joint venture, as well as Marmon Hyflux Investments Pte Ltd, an associate. In 2015, Other Income comprised disposal gain of S$15.8 million on one of the Group's leasehold buildings, gain from acquisition of S$5.5 million on Filtech entities, provisional fair value remeasurement gain of S$12.3 million from the acquisition of Tianjin Dagang, as well as incentives income recognised by the Group as a market-making participant in the Singapore Electricity Futures Market.

Direct costs increased by 32% in 2015, in line with the 39% increase in revenue. Except for finance costs which increased by 23% from S$34.8 million in 2014 to S$42.8 million in 2015 relating mainly to the financing of concession projects, all other expenses decreased. In 2015, the Group saw a decrease in staff costs due to lower level of engineering, procurement and construction activities arising from the substantial completion of Tuaspring IWPP, offset by the gearing up of Qurayyat IWP construction activities. Depreciation, amortisation and impairment decreased from S$32.6 million in 2014 to S$22.2 million in 2015, mainly due to non-recurring impairment on non-core assets in 2014.

Other expenses decreased from S$120.5 million in 2014 to S$105.0 million in 2015, primarily due to provisions made against industrial trade receivables in prior year. In 2015, unrealised foreign exchange losses were mainly due to the strengthening of US dollars against Singapore dollars. Also included in other expenses in FY2015 were financial receivables write-off of S$6.0 million on entities classified as held for sale (more details under Balance Sheet Review) and S$6.1 million intangible assets arising from service concession arrangement write-off due to impending cessation of concession.

Share of losses of associates and joint ventures increased from S$11.3 million to S$19.6 million, reflecting the lower than expected plant utilisation rates compared to designed capacity, coupled with foreign exchange losses arising from the strengthening of US dollars against Chinese Renminbi and Algerian Dinars.

Hyflux recorded net income tax credit for both years mainly due to recognition of tax losses incurred by certain entities within the Group.

BALANCE SHEET REVIEW

Shareholders' equity of S$1.3 billion as at 31 December 2015 remained consistent with 31 December 2014. Main movements in shareholder's equity included lower hedging reserves loss arising mainly from the interest rate swaps on the Group's floating rate loan, lower translation gain reserve primarily due to weakening of Algerian Dinars against Singapore dollars, as well as purchase of treasury shares. Hyflux bought a total of 31,700,000 treasury shares at a total cost of S$24.0 million in 2015.

Non-current assets increased from S$1,902.9 million as at 31 December 2014 to S$2,029.9 million as at 31 December 2015, mainly contributed by the continuing investments in service concession projects in Qurayyat IWP and Tuaspring IWPP. Consolidation of Tianjin Dagang which was previously equity accounted as joint venture contributed to the additional financial receivables and corresponding decrease in investments in joint ventures.

As at 31 December 2015, Hyflux classified its investment in Galaxy Newspring Pte. Ltd., a 50% owned joint venture, as assets held for sale as Hyflux has plans to sell the portfolio within the next 12 months, resulting in a further reduction in investments in joint ventures. Investment in associates increased due to Hyflux's 25% equity interest in Tus Water Group Limited.

As at 31 December 2014, other investment balance related mainly to Hyflux Filtech (Singapore) Pte Ltd (Filtech Singapore), a former 71% owned subsidiary under members' voluntary liquidation. In 2015, the balance decreased as the Group received a total of S$10.2 million proceeds from liquidation. Proceeds received in 2015 was recorded under investing cash flows. Remaining surplus assets of Filtech Singapore was distributed to Hyflux in February 2016.

Current assets increased from S$838.8 million as at 31 December 2014 to S$995.5 million as at 31 December 2015, mainly due to the classification of Galaxy Newspring portfolio, Hyflux Newspring (Nantong) WWT Co., Ltd and Hyflux Newspring (Wuhu) Co., Ltd as held for sale. This was offset by the reduction in cash balance used for repayment of fixed-rate unsecured notes issued under Hyflux's Multicurrency Debt Issuance Programme of S$75.0 million in March 2015, payments of dividends and interest, purchase of treasury shares and working capital requirements.

Current liabilities increased from S$390.6 million as at 31 December 2014 to S$945.9 million as at 31 December 2015. The increase was mainly due to the classification of S$155.0 million fixed-rate unsecured notes and S$334.3 million corporate borrowings which would be payable in 2016 as current. This resulted in a corresponding decrease in non-current liabilities. The Group's net gearing ratio stood at 0.85 times as at 31 December 2015, from 0.51 times as at 31 December 2014.

CASH FLOWS

The Group's overall cash balance decreased from S$444.4 million as at 31 December 2014 to S$313.7 million as at 31 December 2015.

In 2015, net cash of S$43.7 million was used in operating activities, mainly towards the Group's investments in service concession projects. Excluding cash used in these projects, net cash inflows from the Group's operating activities was S$84.3 million mainly contributed by proceeds received from the divestments of water assets.

Cash used in investing activities of S$103.6 million in 2015 was mainly for additional capital expenditure as well as acquisitions of Filtech entities, effective additional 50% stake in Tianjin Dagang and 25% stake in Tus Water Group Limited. These outflows were partly offset by net proceeds from the disposal of one of the Group's leasehold buildings as well as cash inflows from the liquidation of a subsidiary.

Net cash from financing activities in 2015 amounted to S$59.5 million mainly relating to proceeds from borrowings, partially offset by payment of dividends and interest, repayment of borrowings and purchase of treasury shares.

OPERATING REVIEW

ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC)

In late 2014, Hyflux secured a US$250 million contract to design, build, own and operate the Qurayyat Independent Water Project (IWP) in the Sultanate of Oman from the government-owned Oman Power and Water Procurement Company SAOC (OPWP). The water purchase agreement for this project was signed in March 2015. Under the agreement, 200,000m³/day of desalinated water will be supplied from the Qurayyat IWP to OPWP for a period of 20 years from 2017 to 2037.

The seawater reverse osmosis desalination plant, which will be located in Qurayyat in the Muscat governorate, will be Hyflux's second and largest desalination project in Oman. Hyflux's role includes turnkey engineering, procurement and construction (EPC) as well as operations and maintenance (O&M) of the plant. The value of the EPC contract is US$210 million. Construction of the project is underway and the project is expected to commence commercial operation by May 2017. When completed, the project will play an important role in meeting the growing demand for water in Oman.

Making steady inroads into the Middle East, Hyflux won a US$48 million contract to supply a containerised desalination solution with a total designed capacity of 30,000 m³/day to the state-owned Saline Water Conversion Corporation in the Kingdom of Saudi Arabia. The containerised desalination system will be located on the site of the existing Yanbu Desalination Plant on the Red Sea coast, 350 km north of Jeddah. When completed, the containerised system will be one of the largest of its kind, augmenting the desalination plant's capacity to ensure a continuous and reliable water supply to the industrial city of Yanbu and the nearby Medina region. The project demonstrates Hyflux's ability to provide cost-effective solutions for its customers.

Qurayyat Independent Water Project, Oman

Containerised desalination system

In early 2016, Hyflux secured another US$50.4 million contract from Snamprogetti Saudi Arabia, a subsidiary of Saipem, to design, manufacture and supply a seawater reverse osmosis and sulphate removal facilities package in Khurais, which is located approximately 150 km northeast of Riyadh, the capital of Saudi Arabia. Saipem is the engineering and construction contractor for the project to expand the daily production capacity at the Khurais Central Processing Facility by 300,000 barrels of oil from the current 1,200,000 barrels.

More recently in March 2016, Hyflux was awarded a letter of intent by the General Authority for the Suez Canal Economic Zone to construct the Ain Sokhna Integrated Water and Power Project in Egypt. The desalination plant is designed to produce 150,000 m³/day of desalinated water and an on-site 457 MW combined cycle gas turbine power plant will be constructed to generate power and supply electricity to the desalination plant. Excess power will go towards supplying the Egyptian's governorates needs. The total value of the EPC contract is US$500 million and a 25-year O&M contract will be awarded to Hyflux for this plant. These projects underscore Hyflux's growing presence in the Middle East region and its expertise in designing high specification plants for municipal and industrial needs.

In Singapore, Hyflux reached a strategic milestone for its 411 MW combined cycle gas turbine power plant located on-site with the Tuaspring Desalination Plant. During the year, the power plant was connected to the national power grid. Testing and commissioning was successfully completed with Plant Commercial Operation Date achieved in March 2016, providing electricity to the desalination plant and allowing the sale of excess electricity from the power plant to the national grid. The commencement of this project represents the expansion of Hyflux's water business into the energy business which positions the Group strategically for the future. In addition, the Tuaspring Integrated Water and Power Project was conferred Best of Best at the Combined Cycle Journal Best Practices Awards 2016. A panel of judges with asset management experience awarded Hyflux with the highest honour as they recognise the use of an enterprise asset management system as a central platform to fully integrate its business processes, thereby promoting safe, reliable and cost-effective plant operations. This project demonstrates Hyflux's ability to put together a technologically advanced and cost-efficient solution to meet global demand towards the integration of water and power projects.

Committed to deliver long-term sustainable and innovative environmental solutions to communities and industries, Hyflux made its entry into the renewable energy sector.

Committed to deliver long-term sustainable and innovative environmental solutions to communities and industries, Hyflux made its entry into the renewable energy sector. Together with its consortium partner, Mitsubishi Heavy Industries (MHI), Hyflux secured a tender from Singapore's National Environment Agency (NEA) to develop the TuasOne Waste-to-Energy (WTE) project under a Design-Build-Own-Operate scheme, providing waste treatment services exclusively to NEA for a period of 25 years.

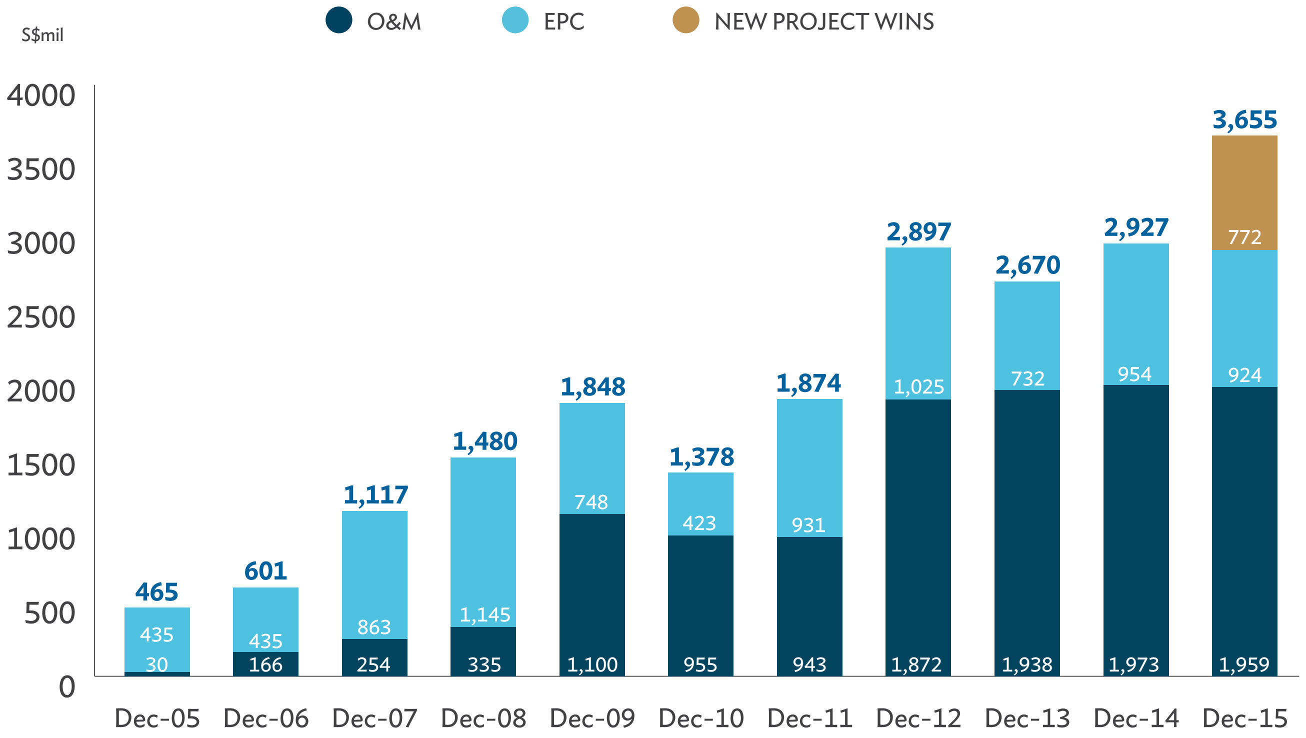
OPERATING REVIEW

The WTE plant will be situated on a 4.8-hectare site next to the Tuaspring Integrated Water and Power Project with capacity to process 3,600 tonnes of waste per day and generate 120 MW of clean and renewable electricity. The project is valued at an estimated S$750 million. Hyflux and MHI respectively holds 75% and 25% stake in the project company. Hyflux will undertake the EPC works worth S$636 million while MHI will provide the technology. In addition, Hyflux and MHI will jointly manage, operate and maintain the WTE plant over the concession period. When completed in 2019, the TuasOne WTE project will be the largest in Singapore. It will have one of the best land utilisation factors in terms of incineration capacity per unit floor area and will also be one of the most efficient in terms of energy recovery per unit waste incinerated in the world.

As at end of 2015, the Group's EPC order book stood at S$995 million, this is inclusive of the S$71 million Khurais project which was announced in early 2016.

TuasOne WTE Plant, Singapore

ORDER BOOK AS AT 31 DECEMBER 2015



Note:
1) O&M order book is a summation of future revenues of our portfolio of plants over 20-30 year concession periods.
2) Dec-15 EPC Order Book includes Qurayyat and TuasOne WTE projects, and excludes Dahej Desalination project.
3) Dec-15 O&M Order Book includes Tuaspring and Magtaa projects, and excludes divested China water assets.
4) New project wins include Khurais and Egypt IWPP.

OPERATIONS AND MAINTENANCE

Operating more than 30 water, wastewater, water recycling and desalination plants worldwide, the Group's O&M order book was about S$2 billion as at end of 2015. With the successful commissioning of the Tuaspring power plant, Hyflux has also added power O&M to its portfolio and the concession period for these projects range from 20 to 30 years. As the Group look to secure more projects worldwide, the O&M order book is expected to rise over the years.

Tuaspring Power Plant, Singapore

INDUSTRY OUTLOOK

Going forward in 2016, the global water market outlook remains challenging with low oil prices and governments holding back on infrastructure capital expenditure. Notwithstanding these short-term headwinds, forecasts from the Global Water Intelligence indicate continued demand for seawater desalination investments, particularly in the core markets of the Middle East and North Africa.

Rapid urbanisation, increasing population and economic growth, competition for resources and climate change has put unprecedented strain on the world's water resources. By 2050, 4.8 billion people around the world will be impacted by water shortage. The growing urgency for usable water is driving investments in water treatment, water recycling and seawater desalination projects. As a global leader and specialist in water treatment, Hyflux is well-positioned to compete effectively to deliver cost-effective sustainable solutions to meet the world's water scarcity challenges.

Hyflux will build on its recent momentum in project wins and continue to focus on its target markets in the Middle East, Africa, Latin America and parts of Asia.

As a global leader and specialist in water treatment, Hyflux is well-positioned to compete effectively to deliver cost-effective sustainable solutions to meet the world's water scarcity challenges.

CONSUMER

As part of a strategy to grow a stable recurring income, Hyflux expanded its consumer portfolio with two acquisitions in the Consumer segment in 2015.

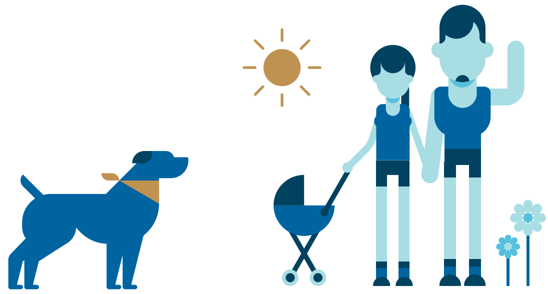
Hyflux acquired a 50% stake in PT Oasis, the second largest player in the Indonesian market for bottled drinking water and gallon water. This investment gives the Group access to an established distribution platform to consumers in Indonesia. Not only is Indonesia the fourth most populous country in the world, the reliance of its people on bottled water for daily drinking needs present exciting opportunities for this market.

Hyflux also invested in consumer water technology company, Kaqun Europe, gaining access to a technology that produces water with high and stable oxygen content.

ELO Water

Backed by more than 10 years of water science, ELO Water has been tested to be safe and can produce measurable increases in cellular oxygen levels.

By combining Hyflux's expertise in water, the Group will look at ways to bring continuous innovation to the brand and develop new products under the ELO line.



Through a newly-established entity ELO Water Pte Ltd of which Hyflux owns 70% and Kaqun Europe owns 30%, Hyflux will integrate its proprietary technology together with Kaqun Europe for a product line which includes drinking water, baths and skin gels under the brand name ELO, which will be distributed in the Asia-Pacific, the Middle East and Africa.

Backed by more than 10 years of water science, ELO Water has been tested to be safe and produces measurable increases in cellular oxygen levels. Unlike other oxygenated waters that rapidly lose their oxygen to the atmosphere, ELO Water is not made by pumping oxygen into water. Instead, the oxygen-rich water is produced via a proprietary process where oxygen exists in a stable and bound form that can be beneficially harnessed by the body.

Initial anecdotal evidence from individuals who have tried ELO Drinking Water has been promising and the Group will be embarking on clinical trials to establish stronger statistical evidence of its benefits.

ELO's unique proposition gives it great potential for growth in the wellness market, estimated at US$3.4 trillion.

More importantly, it is focused on well-being and improving quality of life, a commitment which Hyflux shares and values. By combining Hyflux's expertise in water, the Group will look at ways to bring continuous innovation to the brand and develop new products under the ELO line.

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.

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

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

The Board held four meetings in the 2015 financial year. A summary of attendance by Directors at Board and Board Committees meetings for the financial year ended 31 December 2015 is as follows:

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

Principle 2: Board Composition and Guidance

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

Composition of Board and Board Committees

Name of Directors	Board	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee	Investment
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[1]					Member

Legend:
[1] Mr Gary Kee stepped down from his executive position at the end of December 2015.

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

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

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

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

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

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

Principle 3: Chairman and Chief Executive Officer

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

In line with the Code, Mr Teo Kiang Kok was appointed as the Lead Independent Director in 2012 and has been holding this position since then. As Lead Independent Director, Mr Teo 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 appointment. The Board accepts the NC's view and affirms the independence of these Directors.

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

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely, Mr Lee Joo Hai, Mr Gay Chee Cheong and Mr Teo Kiang Kok.

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

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 2015 and is satisfied that sufficient effort, time and attention have been given by the Directors to the affairs of the Group. The NC has discussed with the Board its assessment of the Board's performance and effectiveness.

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

Principle 6: Access to Information

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

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

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

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

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

The RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, 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$520,000 be paid to Non-Executive Directors for the financial year ended 31 December 2015. This will be tabled for shareholders' approval at the forthcoming AGM.

The remuneration of each individual Director and top ten 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 ten key executives for the financial year ended 31 December 2015:

	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	70%	11%	0%	15%	4%	100%
Between S$500,000 to S$750,000						
Gary Kee Eng Kwee	83%	14%	0%	1%	2%	100%
Below S$250,000						
Teo Kiang Kok	0%	0%	96%	4%	0%	100%
Lee Joo Hai	0%	0%	95%	5%	0%	100%
Gay Chee Cheong	0%	0%	94%	6%	0%	100%
Christopher Murugasu	0%	0%	94%	6%	0%	100%
Simon Tay	0%	0%	95%	5%	0%	100%
Lau Wing Tat	0%	0%	99%	1%	0%	100%

	Salary	Bonus	Fees	Employees' Share Option Scheme	Allowances and other benefits	Total
TOP TEN KEY EXECUTIVES						
Between S$500,000 to S$750,000						
Lim Suat Wah	82%	14%	0%	2%	2%	100%
Wong Lup Wai	83%	13%	0%	2%	2%	100%
Below S$500,000						
Cheong Aik Hock	79%	14%	0%	2%	5%	100%
Lim Swee Kwang	89%	7%	0%	0%	4%	100%
Kum Mun Lock	82%	12%	0%	2%	4%	100%
Peter Wu Siu Kin	77%	11%	0%	2%	10%	100%
Zhao Qing	85%	12%	0%	3%	0%	100%
Zhao Ping	69%	21%	0%	3%	7%	100%
Oon Chong Howe	88%	7%	0%	0%	5%	100%
Ang Kim Chye Roland	80%	13%	0%	4%	3%	100%

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

In aggregate, the total remuneration paid to the top ten key executives in financial year ended 2015 is S$3,447,530.

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 2015.

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

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

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

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

The functions of the RMC are as follows:

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

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 2015:

(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 2015.

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 financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. to review the adequacy and effectiveness of the 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 and matters relating to the resignation or removal of the auditors and to approve the remuneration and terms of engagement of the external auditors; and

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

In fulfilling its responsibilities, the AC receives regular reports from the management and the external auditors, Messrs KPMG LLP. The AC has full access to and co-operation of the management and meets with Messrs KPMG LLP 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.

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

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

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

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

Principle 13: Internal Audit

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

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

D. SHAREHOLDER RIGHTS AND RESPONSIBILITY

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

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

CORPORATE GOVERNANCE STATEMENT

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.

Currently, the Company's Articles of Association of the Company allows all shareholders the right to appoint up to two proxies to attend and vote on their behalf at shareholders' meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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.

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

INVESTMENT COMMITTEE

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

The functions of the IC are as follows:

1. to oversee all aspects of investment policy and strategy for Group;
2. to review proposals on major investments which are not in the ordinary course of the Group's business and to make recommendations to the Board for its approval; and
3. to review any other matters as authorised by the Board.

KEY MANAGEMENT COMMITTEE

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

The Key Management Committee comprises the following members:

Ms Olivia Lum Ooi Lin (Chairman)
Ms Lim Suat Wah
Mr Wong Lup Wai
Mr Cheong Aik Hock
Mr Lim Swee Kwang

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 2015, the Group did not enter into any transaction that would be regarded as an interested person transaction pursuant to SGX-ST's Listing Manual.

CORPORATE SOCIAL RESPONSIBILITY

Hyflux implemented an Executive Development Program which includes leadership training, executive coaching and internal mentorship.

HUMAN CAPITAL

With about 2,500 employees worldwide, Hyflux believes in providing an inclusive workplace for its diverse workforce, with employees given equal opportunities to develop their capabilities regardless of age, gender or ethnicity. As a technologically-driven business, employees are Hyflux's fount of new ideas and innovation, and Hyflux is committed to their development through fair job performance evaluation processes and a range of in-depth training programmes. Hyflux also regularly engages employees through dialogue sessions with senior management and the Company's intranet.

On the employee development front, a company-wide learning-needs analysis was conducted and an Executive Development Program has been implemented, which includes leadership training, executive coaching and internal mentorship, as well as a comprehensive training calendar that provides personal effectiveness, managerial and functional courses for employees. Hyflux conducts a Technical Lecture Series for young engineers to enhance their knowledge of the industry and organises regular internal knowledge-sharing sessions. Hyflux employees are also provided with opportunities for job rotation and overseas work experience.

Employees who have made significant contributions to the company are recognised annually with the CEO Award. Long service awards are presented to employees who have been in service for five years or more, while outstanding employees are rewarded based on exceptional performance and accomplishments.

HEALTHY & SAFETY

Hyflux holds the BS OHSAS 18001:2007 certification, which reflects its continued compliance with international standards towards protecting the health and safety of employees. Hyflux has also achieved the bizSAFE Star certification under Singapore's Workplace Safety and Health Council, which reiterates Hyflux's sustained efforts towards promoting good workplace safety conditions.

Hyflux cultivates a culture of safety ownership amongst its employees and ensures that they receive sufficient safety information. Monthly training sessions and refresher courses are conducted for those working on specific tasks and tasks that carry a higher level of risk to injury. Contractors are expected to comply with safety standards that are aligned with Hyflux's policies.

With about 2,500 employees worldwide, Hyflux believes in providing an inclusive workplace for its diverse workforce, with employees given equal opportunities to develop their capabilities regardless of age, gender or ethnicity.

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

As an environmental solutions provider, Hyflux aims to harness the existing synergies between essential utilities such as water, power, wastewater treatment and recycling, to form a sustainable integrated approach to urban development. The recently completed Tuaspring Integrated Water and Power Project (IWPP) combines a 318,500m^3/day desalination plant with a 411 MW combined cycle power plant, which ensures a reliable energy source for the desalination process. Situated in Tuas, Singapore, the space-efficient Tuaspring IWPP provides an innovative solution to Singapore's water, energy and land-scarce challenges.

The IWPP is able to achieve lower energy consumption through the integration of energy generation and desalination. The power plant heats the feed water entering the desalination plant, and with warmer feed water, lower osmotic pressure and hence lower energy is required during the reverse osmosis phase. The combined cycle plant using a gas and a steam turbine is also more energy-efficient compared to a simple-cycle plant.

As a water specialist, Hyflux continues to provide innovative and sustainable water solutions to meet the growing demand for clean and alternative sources of water around the world. In the Middle East, Hyflux will design, build and supply a containerised desalination solution to the Kingdom of Saudi Arabia, scheduled to be completed in a few months, with a total designed capacity of 30,000m^3/day that will supplement the Yanbu Desalination Plant on the Red Sea coast. Compared to traditional desalination plants built from the ground up, the containerised desalination system is a quick and innovative answer to increased water demands, while minimising environmental impact.

In the area of energy generation, when completed Hyflux's new TuasOne WTE project will support the recycling of waste and contribute to Singapore's clean energy resources.

As an environmental solutions provider, Hyflux aims to harness the existing synergies between essential utilities such as water, power, wastewater treatment and recycling, to form a sustainable, integrated approach to urban development.

Hyflux participated in the Hair for Hope event in support of the Children's Cancer Foundation.

The all-female contingent at the National Day Parade 2015

Hyflux SG50 Family Day event raised S$119,810 for five charity beneficiaries, in celebration of Singapore's 50th birthday.

COMMUNITY

Each year, Hyflux supports the Singapore Red Cross Society in the campaign to secure Singapore's blood supply by organising mobile blood donation drives at the Hyflux corporate headquarters at Hyflux Innovation Centre. Staff and members of the public are encouraged to donate blood to save lives, and this year saw a total of 222 respondents and 157 units of blood collected.

Hyflux also organized its highly-anticipated Hair for Hope satellite event for the third consecutive year, in support of the Children's Cancer Foundation. The event garnered 40 volunteers who shaved their heads at the event, becoming ambassadors in the drive to raise awareness for childhood cancer. A total of S$15,893 in donations was raised for Children's Cancer Foundation through Hyflux's satellite event.

The Hyflux SG50 Family Day event held at Sentosa aimed to bring Hyflux staff and beneficiaries together in celebration of Singapore's 50th birthday, as well as raise funds for charity. A hundred beneficiaries from five charities, from Boys' Town Singapore, Chen Su Lan Methodist Children's Home, Lions Befrienders, Society of the Father and the Son, and Yong-en Care Centre were invited to spend a fun-filled day at the beach with Hyflux staff and their families. The charity event raised a total of S$119,810 with each of the five charity beneficiaries presented with a S$23,962 donation. S$15,960 of the donated amount was raised through ticket sales for a carnival fund-raiser driven mainly by Hyflux staff volunteers. The company topped up the contribution with another S$50,000 donation and the final amount was achieved through an additional S$53,850 of cash donations from corporate partners.

In August 2015, Hyflux participated at the annual National Day Parade held at the Padang with an all-female contingent, which marched alongside 15 other civilian contingents from companies and organisations in Singapore, symbolising the journey the country has made both economically and socially in the past 50 years.

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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 2015.

In our opinion:

(a) the financial statements set out on pages 56 to 142 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 2015 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 Kee	
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	**At beginning of the year**	**At end of the year**	**At 21 January 2016**	**At beginning of the year**	**At end of the year**	**At 21 January 2016**
The Company						
Ordinary shares						
Olivia Lum Ooi Lin	267,351,211	267,351,211	267,351,211	–	–	–
Teo Kiang Kok	–	–	–	375,000	375,000	375,000
Gay Chee Cheong	1,000,000	1,000,000	1,000,000	–	–	–
Christopher Murugasu	1,095,468	1,095,468	1,095,468	180,000	180,000	180,000

	--------- Direct interest ---------			--------- Deemed interest ---------		
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At 21 January 2016**	**At beginning of the year**	**At end of the year**	**At 21 January 2016**
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	12,000	4,860	4,860	–	–	–
Christopher Murugasu	2,880	2,880	2,880	–	–	–
Share options (2001 Scheme)						
Olivia Lum Ooi Lin	6,750,000	–	–	–	–	–
Teo Kiang Kok	425,000	50,000	50,000	–	–	–
Lee Joo Hai	425,000	50,000	50,000	–	–	–
Gay Chee Cheong	425,000	50,000	50,000	–	–	–
Christopher Murugasu	425,000	50,000	50,000	–	–	–
Share options (2011 Scheme)						
Olivia Lum Ooi Lin	8,598,000	8,598,000	8,598,000	–	–	–
Teo Kiang Kok	150,000	200,000	200,000	–	–	–
Lee Joo Hai	150,000	200,000	200,000	–	–	–
Gay Chee Cheong	150,000	200,000	200,000	–	–	–
Christopher Murugasu	150,000	200,000	200,000	–	–	–
Simon Tay	150,000	200,000	200,000	–	–	–
Gary Kee Eng Kwee	300,000	500,000	500,000	–	–	–
Lau Wing Tat	–	50,000	50,000	–	–	–

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 2016, except as disclosed above.

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.

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

SHARE OPTIONS

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

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

The 2001 Scheme expired on 26 September 2011.

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

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

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2015	Options granted	Options exercised	Options forfeited /expired	Options outstanding as at 31 December 2015	Number of holders as at 31 December 2015	Exercise period
	$							
2001 Scheme								
07/02/2005	1.2400	1,100,750	–	–	(1,100,750)	–	–	07/02/2006 – 06/02/2015
09/05/2005	1.5378	6,750,000	–	–	(6,750,000)	–	–	09/05/2006 – 08/05/2015
01/06/2005	1.6995	27,000	–	–	(27,000)	–	–	01/06/2006 – 31/05/2015
08/06/2005	1.7671	40,500	–	–	(40,500)	–	–	08/06/2006 – 07/06/2015
28/03/2006	1.7747	66,000	–	–	–	66,000	2	28/03/2007 – 27/03/2016
18/10/2006	1.5747	750,000	–	–	–	750,000	1	18/10/2007 – 17/10/2016
07/12/2006	1.5813	987,000	–	–	(189,000)	798,000	20	07/12/2007 – 06/12/2016
23/05/2007	1.7387	30,000	–	–	–	30,000	1	23/05/2008 – 22/05/2017
25/09/2007	1.8613	615,000	–	–	(42,000)	573,000	13	25/09/2008 – 24/09/2017
26/05/2008	2.4187	1,425,000	–	–	(120,000)	1,305,000	18	26/05/2009 – 25/05/2018
31/10/2008	0.9813	1,651,000	–	–	(102,000)	1,549,000	35	31/10/2009 – 30/10/2018
09/01/2009	1.2720	750,000	–	–	(750,000)	–	–	09/01/2010 – 08/01/2019
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	390,000	–	–	(300,000)	90,000	2	26/02/2011 – 25/02/2020
26/02/2010	2.3600	1,500,000	–	–	(1,500,000)	–	–	26/02/2011 – 25/02/2015
16/11/2010	2.1907	525,000	–	–	(90,000)	435,000	10	16/11/2011 – 15/11/2020
04/03/2011	1.8920	1,795,000	–	–	(450,000)	1,345,000	32	04/03/2012 – 03/03/2021
04/03/2011	1.8920	200,000	–	–	–	200,000	4	04/03/2012 – 03/03/2016
2011 Scheme								
18/10/2011	1.4660	8,598,000	–	–	–	8,598,000	1	18/10/2012 – 17/10/2021
05/03/2012	1.4690	4,320,000	–	–	(820,000)	3,500,000	45	05/03/2013 – 04/03/2022
05/03/2013	1.3960	950,000	–	–	(500,000)	450,000	7	05/03/2014 – 04/03/2023
15/01/2014	1.1650	2,880,000	–	–	(250,000)	2,630,000	19	15/01/2015 – 14/01/2024
12/03/2015	0.8580	–	5,920,000	–	(410,000)	5,510,000	77	12/03/2016 – 11/03/2025
		35,560,250	5,920,000	–	(13,441,250)	28,039,000		

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

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

Name of director	Options granted for the financial year ended 31 December 2015	Aggregate options granted since commencement of Schemes to 31 December 2015	Aggregate options exercised since commencement of Schemes to 31 December 2015	Aggregate options expired since commencement of Schemes to 31 December 2015	Aggregate options outstanding as at 31 December 2015
2001 Scheme					
Olivia Lum Ooi Lin	–	8,625,000	(1,875,000)	(6,750,000)	–
Teo Kiang Kok	–	800,000	(375,000)	(375,000)	50,000
Lee Joo Hai	–	800,000	(375,000)	(375,000)	50,000
Gay Chee Cheong	–	725,000	(300,000)	(375,000)	50,000
Christopher Murugasu	–	1,409,375	(984,375)	(375,000)	50,000
Gary Kee Eng Kwee		700,000	(100,000)	(600,000)	–
Total	–	13,059,375	(4,009,375)	(8,850,000)	200,000
2011 Scheme					
Olivia Lum Ooi Lin	–	8,598,000	–	–	8,598,000
Teo Kiang Kok	50,000	200,000	–	–	200,000
Lee Joo Hai	50,000	200,000	–	–	200,000
Gay Chee Cheong	50,000	200,000	–	–	200,000
Christopher Murugasu	50,000	200,000	–	–	200,000
Simon Tay	50,000	200,000	–	–	200,000
Gary Kee Eng Kwee	200,000	500,000	–	–	500,000
Lau Wing Tai	50,000	50,000	–	–	50,000
Total	500,000	10,148,000	–	–	10,148,000

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

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

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 independent director
Gay Chee Cheong, non-executive independent director
Teo Kiang Kok, non-executive independent director
Lau Wing Tat, non-executive independent director

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

The primary functions of the Audit Committee are as follows:

1. assists the Board in discharging its statutory responsibilities on financial and accounting matters;
2. reviews the financial and operating results and accounting policies of the Group;
3. reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;
4. reviews the adequacy and effectiveness of the Group's internal control (financial, operational, compliance and information technology) policies and systems established by the management, either carried out internally or with the assistance of any competent third parties;
5. reviews the audit plans and reports of the external and internal auditors and considers the effectiveness of the actions taken by the management on the auditors' recommendations;
6. appraises and reports to the Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;
7. reviews the independence of external auditors annually and considers the appointment or re-appointment of external auditors, reviews the level of audit and non-audit fees and matters relating to the resignation or removal of the auditors and approves the remuneration and terms of engagement of the external auditors; and
8. reviews interested person transactions, as defined in the SGX Listing Manual.

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

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

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.

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

29 March 2016

Independent auditors' report

Members of the Company
Hyflux Ltd

Report on the financial statements

We have audited the accompanying financial statements of Hyflux Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 142.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2016

Statements of financial position

As at 31 December 2015

		Group		Company	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current assets					
Property, plant and equipment	4	156,427	115,860	–	–
Intangible assets	5	25,648	28,093	–	–
Intangible assets arising from service concession arrangements	6	1,127,767	992,989	–	–
Subsidiaries	7	–	–	219,048	181,198
Joint ventures	8	7,374	233,846	–	–
Associates	9	138,291	100,335	15,455	14,983
Other investments	10	542	18,562	–	630
Financial receivables	11	546,271	384,670	–	–
Trade and other receivables	13	–	19,041	972,287	791,173
Deferred tax assets	14	27,530	9,505	–	–
Total non-current assets		2,029,850	1,902,901	1,206,790	987,984
Current assets					
Gross amounts due for contract work	15	128,126	94,410	–	–
Inventories	16	51,613	44,181	–	–
Financial receivables	11	14,409	10,558	–	–
Trade and other receivables	13	275,786	241,284	847,315	769,352
Cash and cash equivalents	17	313,706	444,428	112,382	203,243
Assets held for sale	12	211,865	3,953	–	–
Total current assets		995,505	838,814	959,697	972,595
Current liabilities					
Trade and other payables	18	266,006	229,879	69,823	70,364
Loans and borrowings	19	659,652	153,464	614,800	92,257
Tax payable		6,864	7,285	2,756	3,699
Liabilities held for sale	12	13,347	–	–	–
Total current liabilities		945,869	390,628	687,379	166,320
Net current assets		49,636	448,186	272,318	806,275
Non-current liabilities					
Trade and other payables - derivatives	18	13,169	29,275	–	–
Loans and borrowings	19	764,297	979,331	305,424	618,792
Deferred tax liabilities	14	1,169	493	–	–
Total non-current liabilities		778,635	1,009,099	305,424	618,792
Net assets		1,300,851	1,341,988	1,173,684	1,175,467

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

Statements of financial position

As at 31 December 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Equity					
Share capital		607,258	607,258	607,258	607,258
Perpetual capital securities		469,096	469,096	469,096	469,096
Reserve for own shares		(85,929)	(61,936)	(85,929)	(61,936)
Capital reserve		13,731	10,043	8,863	5,402
Foreign currency translation reserve		469	14,029	–	–
Hedging reserve		(15,285)	(29,728)	1,277	–
Employees' share option reserve		25,069	24,755	25,069	24,755
Retained earnings		273,059	303,664	148,050	130,892
Total equity attributable to owners of the Company		1,287,468	1,337,181	1,173,684	1,175,467
Non-controlling interests		13,383	4,807	–	–
Total equity	20	1,300,851	1,341,988	1,173,684	1,175,467

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

Consolidated income statement

Year ended 31 December 2015

	Note	2015	2014
		$'000	$'000
Revenue	23	445,241	321,394
Other income		72,637	169,999
Changes in inventories of finished goods and work-in-progress		1,624	7,046
Raw materials and consumables used and subcontractors' cost		(225,890)	(170,981)
Staff costs	25	(65,200)	(75,183)
Depreciation, amortisation and impairment		(22,235)	(32,580)
Other expenses		(105,000)	(120,493)
Finance costs	24	(42,790)	(34,829)
Share of losses of associates and joint ventures, net of income tax		(19,610)	(11,313)
Profit before income tax	25	38,777	53,060
Tax credits	26	6,695	5,753
Profit for the year		45,472	58,813
Profit attributable to:			
Owners of the Company		41,273	57,469
Non-controlling interests		4,199	1,344
Profit for the year		45,472	58,813
Earnings per share (cents)			
Basic earnings per share	27	(1.05)	1.66
Diluted earnings per share	27	(1.05)	1.66

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

Consolidated income statement

Year ended 31 December 2015

	2015 $'000	2014 $'000
Profit for the year	45,472	58,813
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(2,907)	10,135
Effective portion of changes in fair value of cash flow hedges	13,969	(24,546)
Share of other comprehensive income of associates and joint ventures	(4,525)	4,367
Net change in fair value of cash flow hedges transferred to profit or loss	49	(915)
Realisation of foreign currency translation to profit or loss	(6,685)	(163)
Other comprehensive income for the year, net of income tax	(99)	(11,122)
Total comprehensive income for the year	45,373	47,691
Total comprehensive income attributable to:		
Owners of the Company	42,156	46,622
Non-controlling interests	3,217	1,069
Total comprehensive income for the year	45,373	47,691

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

Consolidated statement of changes in equity

Year ended 31 December 2015

Group	Share capital $'000	Perpetual capital securities $'000	Reserve for own shares $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2015	607,258	469,096	(61,936)	10,043	14,029	(29,728)	24,755	303,664	1,337,181	4,807	1,341,988
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	41,273	41,273	4,199	45,472
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	–	(1,925)	–	–	–	(1,925)	(982)	(2,907)
Realisation of foreign currency translation to profit or loss	–	–	–	–	(6,685)	–	–	–	(6,685)	–	(6,685)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	13,969	–	–	13,969	–	13,969
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	49	–	–	49	–	49
Share of other comprehensive income of associates and joint ventures	–	–	–	–	(4,950)	425	–	–	(4,525)	–	(4,525)
Total comprehensive income for the year	–	–	–	–	(13,560)	14,443	–	41,273	42,156	3,217	45,373

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

	Note	Share capital $'000	Perpetual capital securities $'000	Reserve for own shares $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group												
Transactions with owners, recognised directly in equity												
Contributions by and distributions to owners												
Dividends paid	20	–	–	–	–	–	–	–	(68,190)	(68,190)	–	(68,190)
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	5,359	5,359
Own shares acquired		–	–	(23,993)	–	–	–	–	–	(23,993)	–	(23,993)
Value of employee services received for issue of share options		–	–	–	–	–	–	314	–	314	–	314
Transfer to capital reserve		–	–	–	3,688	–	–	–	(3,688)	–	–	–
Total transactions with owners		–	–	(23,993)	3,688	–	–	314	(71,878)	(91,869)	5,359	(86,510)
At 31 December 2015		607,258	469,096	(85,929)	13,731	469	(15,285)	25,069	273,059	1,287,468	13,383	1,300,851

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

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

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

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

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

Consolidated statement of cash flows

Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit before income tax		38,777	53,060
Adjustments for:			
Allowance for inventory obsolescence	16	288	989
Amortisation of transaction costs related to borrowings		499	582
Depreciation, amortisation and impairment		22,235	32,580
Employees' share option expense		314	569
Finance costs		42,790	34,829
Financial receivables written off		5,989	2,886
Gain on disposal of an associate and a joint venture		–	(54,118)
Gain on sale of property, plant and equipment		(15,502)	(103,684)
Gain from acquisition of subsidiaries	22	(17,785)	–
Intangible assets arising from service concession arrangements written off		6,086	990
Interest income		(3,563)	(4,047)
Loss on liquidation of subsidiaries		–	98
Other income		(17,866)	–
Property, plant and equipment written off		88	220
Share of losses of associates and joint ventures, net of income tax		19,610	11,313
(Write-back of)/Impairment losses on trade and other receivables		(153)	28,069
		81,807	4,336
Change in inventories		(372)	(10,534)
Change in gross amounts due for contract work		(19,889)	2,577
Change in trade and other receivables		(6,915)	(20,252)
Change in trade and other payables		29,669	8,836
Cash from/(used in) operating activities before service concession arrangement projects		84,300	(15,037)
Change in financial receivables from service concession arrangements		25,193	(3,163)
Change in intangible assets arising from service concession arrangements		(146,110)	(198,916)
Cash used in operating activities after service concession arrangement projects		(36,617)	(217,116)
Income tax paid		(7,034)	(9,017)
Net cash used in operating activities		(43,651)	(226,133)

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

	Note	2015 $'000	2014 $'000
Cash flows from investing activities			
Acquisition of intangible assets		(1,168)	(1,945)
Acquisition of property, plant and equipment		(27,611)	(11,855)
Acquisition of subsidiaries, net of cash acquired	22	(45,942)	–
Acquisition of other investments		–	(515)
Acquisition and additional interest in associates		(47,304)	(8,589)
Acquisition and additional interest in joint ventures		(7,063)	(206)
Deposits (paid)/received		(70)	5,565
Dividends received from associates		2,271	6,238
Interest received		2,062	3,287
Loans to a joint venture		(6,660)	(18,660)
Net proceeds from disposal of an associate and a joint venture		–	63,432
Net proceeds from liquidation of other investments		10,153	–
Net proceeds from sale of property, plant and equipment		17,742	169,536
Net cash (used in)/from investing activities		(103,590)	206,288
Cash flows from financing activities			
Contribution from non-controlling interests		5,359	–
Dividends paid		(68,190)	(51,579)
Decrease in deposits pledged		–	1,832
Interest paid		(48,977)	(51,227)
Net proceeds from perpetual capital securities issued		–	469,096
Proceeds from borrowings		352,726	66,981
Proceeds from exercise of share options		–	371
Purchases of treasury shares		(23,993)	(10,452)
Repayment of borrowings		(157,387)	(214,834)
Net cash from financing activities		59,538	210,188
Net (decrease)/increase in cash and cash equivalents		(87,703)	190,343
Cash and cash equivalents at 1 January		382,044	182,585
Effect of exchange rate fluctuations on cash held		4,137	9,116
Cash and cash equivalents at 31 December	17	298,478	382,044

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 29 March 2016.

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates and joint ventures.

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

The principal activities of the subsidiaries comprise the following:

Water

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

Energy

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

Waste-to-Energy

- Design, construction and operation 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. Other significant entities within the Group have Chinese Renminbi, Singapore dollars, US dollars and Algerian Dinar as their functional currencies. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

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.

There are no critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

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 5 – key assumptions used in development cost for useful lives determination and underlying recoverable amounts for impairment test;
- Note 6 – recoverability of intangible assets arising from service concession arrangements;
- Notes 6 and 29 – fair value measurement of intangible assets and financial receivables arising from service concession arrangements;
- Note 22 – determination of fair value of identifiable assets in purchase price allocation;
- Note 30 – recoverability of trade and other receivables and gross amounts due from contract work; and
- Note 33 – contingencies.

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 in-house investment and finance teams that have overall responsibility for all significant fair value measurements.

The investment and finance teams regularly review significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the teams assess and document the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS. Significant valuation issues are reported to the Group Chief Financial Officer.

Notes to the financial statements

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 29.

2.5 Changes in accounting policies

The Group has adopted all new or revised FRSs and INT FRSs that became mandatory from 1 January 2015. The adoption of these new FRSs and INT FRSs has no significant impact to the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method 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, 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 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 non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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

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

Subsidiaries

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

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

Notes to the financial statements

Loss of control

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

Interests 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.

Interests in associates and joint ventures 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.

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

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

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

3.2 Foreign Currency

Foreign currency transactions

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

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

Foreign operations

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

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

3.3 Financial instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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, including financial receivables arising from service concession arrangements and gross amounts due from contract work.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

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

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).

Non-derivative financial liabilities

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

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

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

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

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

Intra-group financial guarantees

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

Notes to the financial statements

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

Share capital

Ordinary shares

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

Preference share capital

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

Perpetual capital securities

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

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

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

Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedges

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

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

Separable embedded derivatives

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

Other non-trading derivatives

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

3.4 Property, plant and equipment

Recognition and measurement

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

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

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

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

3.5 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. 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 equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Research and development

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

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

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

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Intellectual property rights	- 10 years
Capitalised development costs	- 8 years
Licensing fees	- 10 to 20 years
Service concession arrangements	- 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 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 are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, the use of standard costing includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

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

3.8 Gross amounts due for contract work

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

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

3.9 Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

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

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.

Notes to the financial statements

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.

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.

3.10 Non-current assets held for sale

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

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

3.11 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

Share-based payment transactions

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

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

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

3.12 Provisions

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

3.13 Revenue

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

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

The stage of completion is assessed by reference to the 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. Net revenue from the sale of plants under service concession arrangements previously not recognised as construction revenue under the service concession arrangements is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and the amount of revenue can be measured reliably.

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

Operating and maintenance income

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

Sale of goods

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

Transfers of risks and rewards occur upon delivery to customers.

Finance income

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

Others

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

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

3.14 Government grants

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

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 incentive in the form of Forward Sales Contract (FSC). These incentives which are accounted for as grant income are recognised in profit or loss upon fulfilment of such market making obligations.

3.15 Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.16 Finance costs

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

3.17 Tax

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to 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.

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.

3.18 Earnings per share

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

3.19 Segment reporting

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

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

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

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretation on the financial statements of the Group and the Company. The Group does not plan to adopt these standards early.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2017 and 1 January 2018 respectively.

- FRS 115 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. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes,* INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services;*
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments. These standards are expected to be relevant to the Group and the Company.

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS) for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: *First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

Notes to the financial statements

4 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Motor vehicles	Computers	Office equipment	Leasehold properties and improvements	Furniture and fittings	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
At 1 January 2014	46,677	2,255	14,056	4,035	139,230	4,158	57,163	267,574
Additions	904	111	1,385	190	3,361	164	7,444	13,559
Transfers	18	–	–	–	294	–	(312)	–
Reclassification to asset held for sale	–	–	–	–	(6,328)	–	–	(6,328)
Disposals	(1,536)	(127)	(429)	(381)	(61,591)	(408)	–	(64,472)
Write off	–	–	–	–	–	–	(220)	(220)
Effect of movements in exchange rates	768	27	78	21	1,527	12	2,063	4,496
At 31 December 2014	46,831	2,266	15,090	3,865	76,493	3,926	66,138	214,609
Acquisition of subsidiaries	10,794	49	29	43	18,892	18	251	30,076
Additions	928	80	2,240	161	1,856	64	21,361	26,690
Transfers	5,992	–	194	–	9,873	17	(16,076)	–
Reclassification to assets held for sale	–	–	(11)	(1)	(1,842)	–	–	(1,854)
Disposals	(10,363)	(280)	(224)	(151)	(2,938)	(23)	–	(13,979)
Write off	(70)	(79)	(227)	(19)	–	(31)	(35)	(461)
Effect of movements in exchange rates	(63)	(45)	52	(71)	(241)	(5)	252	(121)
At 31 December 2015	54,049	1,991	17,143	3,827	102,093	3,966	71,891	254,960
Accumulated depreciation and impairment losses								
At 1 January 2014	25,138	1,698	12,056	2,004	24,529	2,163	19,547	87,135
Depreciation for the year	4,194	282	1,146	498	4,539	585	–	11,244
Reclassification to asset held for sale	–	–	–	–	(2,375)	–	–	(2,375)
Disposals	(1,261)	(97)	(420)	(219)	(5,215)	(351)	–	(7,563)
Impairment loss	3,268	–	–	–	–	–	5,762	9,030
Effect of movements in exchange rates	253	27	68	14	407	7	502	1,278
At 31 December 2014	31,592	1,910	12,850	2,297	21,885	2,404	25,811	98,749
Depreciation for the year	3,936	213	1,500	483	3,694	579	–	10,405
Reclassification to assets held for sale	–	–	(5)	(1)	(101)	–	–	(107)
Disposals	(9,463)	(203)	(194)	(105)	(286)	(18)	–	(10,269)
Write off	(59)	(79)	(192)	(17)	–	(26)	–	(373)
Impairment loss	280	–	–	–	–	–	–	280
Effect of movements in exchange rates	(92)	(34)	23	(32)	7	(24)	–	(152)
At 31 December 2015	26,194	1,807	13,982	2,625	25,199	2,915	25,811	98,533
Carrying amounts								
At 1 January 2014	21,539	557	2,000	2,031	114,701	1,995	37,616	180,439
At 31 December 2014	15,239	356	2,240	1,568	54,608	1,522	40,327	115,860
At 31 December 2015	27,855	184	3,161	1,202	76,894	1,051	46,080	156,427

	Computers $'000	Furniture and fittings $'000	Total $'000
Company			
Cost			
At 1 January 2014, 31 December 2014 and 31 December 2015	1,018	11	1,029
Accumulated depreciation			
At 1 January 2014, 31 December 2014 and 31 December 2015	1,018	11	1,029
Carrying amounts			
At 1 January 2014, 31 December 2014 and 31 December 2015	–	–	–

Estimation of useful lives of property, plant and equipment

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

Impairment loss

People's Republic of China (PRC) Industrial CGUs

In 2014, due to unfavourable market conditions on the production of L-lactic product in the industrial segment, the Group tested the related production line for impairment and recognised an impairment loss of $5,762,000. Management estimated the recoverable amount of the CGU based on its value in use, assuming that the production would go live in 2016 and a pre-tax discount rate of 12%.

In 2015, the Group reviewed the business plan including the possibility of selling its PRC industrial CGU due to prolonged unfavourable market conditions. Accordingly, management estimated the recoverable amounts based on valuation by an independent professional valuer. The valuation was determined by way of market comparison and replacement cost method, adjusted for economic obsolescence, functional obsolescence and physical condition, less cost to sell. Based on the assessment, the recoverable amounts were estimated to approximate the carrying amounts as at the reporting date. Hence, no impairment was recognised in 2015.

The recoverable amounts were determined based upon the fair value less cost to sell method and categorised as a Level 3 fair value. The key unobservable inputs included the value per square metre for the value of the leasehold properties.

Others

In 2014, following a management review of the carrying amounts of assets for the oil filtration equipment in the industrial segment, the Group recognised an impairment loss of $2,014,000 in profit or loss, based on the recoverable amount of these plant and machinery. The recoverable amount was determined based upon the fair value less cost to sell of $2,800,000, derived from estimated selling price. In 2015, the Group recorded a further impairment loss of $280,000 in view of no significant progress in the course of dealing with the prospective buyer.

In 2014, the Group recognised another impairment loss of $1,254,000 for plant and machinery in the industrial segment in profit or loss based on the recoverable amount determined by way of fair value less cost to sell method by making reference to an indicative quote obtained from a potential buyer. In 2015, the sale had been completed and no further impairment loss was recognised.

These impairment losses were included in the Group's "depreciation, amortisation and impairment expenses".

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

5 INTANGIBLE ASSETS

	Goodwill $'000	Intellectual property rights $'000	Development costs $'000	Licensing fees $'000	Total $'000
Group					
Cost					
At 1 January 2014	13,042	4,726	58,430	4,397	80,595
Additions	–	22	–	–	22
Additions – internally developed	–	–	700	–	700
Disposal	–	(15)	–	–	(15)
Effect of movements in exchange rates	–	(15)	(14)	167	138
At 31 December 2014	13,042	4,718	59,116	4,564	81,440
Additions	–	1	–	–	1
Additions – internally developed	–	–	1,167	–	1,167
Effect of movements in exchange rates	–	(12)	(10)	242	220
At 31 December 2015	13,042	4,707	60,273	4,806	82,828
Accumulated amortisation and impairment losses					
At 1 January 2014	13,042	1,449	30,362	1,495	46,348
Amortisation for the year	–	221	3,548	311	4,080
Disposal	–	(1)	–	–	(1)
Impairment loss	–	–	2,842	–	2,842
Effect of movements in exchange rates	–	5	–	73	78
At 31 December 2014	13,042	1,674	36,752	1,879	53,347
Amortisation for the year	–	221	3,039	323	3,583
Impairment loss	–	12	126	–	138
Effect of movements in exchange rates	–	1	1	110	112
At 31 December 2015	13,042	1,908	39,918	2,312	57,180
Carrying amounts					
At 1 January 2014	–	3,277	28,068	2,902	34,247
At 31 December 2014	–	3,044	22,364	2,685	28,093
At 31 December 2015	–	2,799	20,355	2,494	25,648

Amortisation

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

Capitalisation of development costs

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

Impairment loss on development costs

As part of annual review, management identified development projects that no longer meet the recognition criteria set forth in the FRS. The recoverable amount of such development projects are based on fair value less cost to sell method, using key assumptions such as the feasibility of these development projects being able to generate future cash flows as well as changes in the Group's business plan where appropriate. As a result, management provided a full impairment charge of $138,000 (2014: $2,842,000) in the Group's profit or loss. The carrying amounts of the capitalised development costs of projects which had been reduced to nil representing the recoverable amounts derived from fair value less cost to sell method.

For the remaining development projects, the recoverable amounts of these CGUs were estimated based on their value in use. When value in use calculations were undertaken, management estimated the expected future cash flows from the CGUs and used a suitable discount rate to calculate the present value of those cash flows. No impairment was required as the recoverable amounts were estimated to be higher than the carrying amounts.

Estimation of useful lives of development costs

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

6 INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS

Group	$'000
Cost	
At 1 January 2014	801,980
Additions	198,916
Write-off	(990)
Effect of movements in exchange rates	262
At 31 December 2014	1,000,168
Additions	146,110
Write-off	(6,086)
Effect of movements in exchange rates	138
At 31 December 2015	1,140,330
Accumulated amortisation	
At 1 January 2014	1,795
Amortisation for the year	5,384
At 31 December 2014	7,179
Amortisation for the year	5,384
At 31 December 2015	12,563
Carrying amounts	
At 1 January 2014	800,185
At 31 December 2014	992,989
At 31 December 2015	1,127,767

Singapore

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

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

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

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

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

Included in the carrying amount was capitalised net borrowing costs related to the construction of the plants amounting to $7,105,000 (2014: $17,522,000), with a capitalisation rate of 1.3% (2014: 3.1%).

Intangible assets arising from service concession arrangements and financial receivables of the Group were pledged to secure a project financing loan of a subsidiary. See note 19 for details.

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

	2015	2014
	$'000	$'000
Construction revenue arising from service concession arrangements	263,911	187,234

The segregation of the consideration between the financial receivable and intangible asset, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected water and wastewater volume and supply of electricity over its service concession period, guaranteed and unguaranteed amount, as well as choosing a suitable discount rate to calculate the present value of those cash flows. These estimates, including revenue recognition under the financial asset and intangible asset components are determined by the Group's management based on their experiences and assessment on current and future market conditions. The carrying amounts of the intangible assets and financial receivables arising from service concession are disclosed in this note and note 11 respectively.

Impairment loss on intangible assets

During the year, due to an impending cessation of the service concession arrangement initiated by a municipal in PRC, the Group wrote off intangible assets amounting to $6,086,000 as it is no longer recoverable.

Recoverability of intangible assets arising from service concession arrangements

The carrying amount of intangible assets arising from service concession arrangement is tested for impairment whenever there is any objective evidence or indication the intangible assets may be impaired. This requires an estimation of the value in use of the intangible assets to determine the recoverable amount. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes to the expected future cash flows and discount rate could impact on the recoverable amounts of the intangible assets.

7 SUBSIDIARIES

	Company	
	2015	2014
	$'000	$'000
Unquoted equity securities, at cost	207,781	169,931
Impairment losses	(13,242)	(13,242)
	194,539	156,689
Loans to subsidiaries	24,509	24,509
	219,048	181,198

Loans to subsidiaries of $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.

In 2015 and 2014, the Company has assessed the recoverable amount of its interests in subsidiaries that have suffered continual operating losses. The recoverable amount was estimated based on value in use.

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

Details of major subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Ownership interest	
		2015	2014
		%	%
Held by the Company			
Hydrochem (S) Pte Ltd	Singapore	100	100
Hyflux Membrane Manufacturing (S) Pte. Ltd.	Singapore	100	100
Spring China Utility Ltd	British Virgin Islands	100	100
TuaSpring Pte Ltd	Singapore	100	100
Hyflux Engineering Pte Ltd	Singapore	100	100
Held through subsidiaries			
Hydrochem Engineering (Shanghai) Co., Ltd	PRC	100	100
Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd	PRC	100	100
Tianjin Dagang NewSpring Co., Ltd	PRC	100*	50

* In September 2015, the Group increased its equity interests from 50% to 100% following the acquisition of the remaining stakes held by JGC Corporation (JGC). See note 22 for details.

KPMG LLP, Singapore is the auditor of all significant Singapore-incorporated subsidiaries. All significant foreign incorporated subsidiaries are audited by overseas affiliates of KPMG LLP.

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

As at 31 December 2015 and 2014, non-controlling interests are considered not material to the Group's net assets and profits for the year.

8 JOINT VENTURES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Unquoted equity securities	7,374	233,846	–	–

Details of joint ventures are as follows:

Name of joint venture	Country of incorporation	Ownership interest	
		2015	2014
		%	%
Held through subsidiaries			
Dominion Plantations Limited (currently known as Star Infrastructure Development (T) Limited)	Tanzania	49#	–
Galaxy NewSpring Pte. Ltd.	Singapore	–@	50
Tianjin Dagang NewSpring Co., Ltd	PRC	–*	50

* Please refer to note 7 for details

@ Please refer to note 12 for details

\# In December 2015, the Group entered into a joint venture arrangement with Crystal Developers (T) Ltd to develop infrastructure, utilities and environmental solutions for an integrated township project in the Morogoro District of Tanzania. Despite having an equity interest of 49%, Dominion Plantations Limited (currently known as Star Infrastructure Development (T) Limited) is classified as joint venture as the Group has joint control right over this entity. As at 31 December 2015, interest in this joint venture is not considered to be material to the Group.

All major joint arrangements held by the Group are structured as separate vehicles which provide the Group with rights to the net assets of the entity. Accordingly, the Group has classified the interests in these joint arrangements as joint ventures and accounted for using the equity methods.

KPMG LLP, Singapore was the auditor of the Singapore-incorporated joint ventures. As at 31 December 2015, none of these joint ventures is considered significant. For this purpose, a joint venture is considered significant as defined under the SGX Listing Manual if the Group's share of its net tangible assets represent 20% or more of the Group's consolidated net tangible assets (including intangible assets arising from service concession arrangements), or, if the Group's share of its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in accounting policies.

	2015		2014	
	Galaxy NewSpring Pte. Ltd	Tianjin Dagang NewSpring Co., Ltd	Galaxy NewSpring Pte. Ltd	Tianjin Dagang NewSpring Co., Ltd
Place of business	PRC	PRC	PRC	PRC
	$'000	$'000	$'000	$'000
Non-current assets	–	–	587,165	195,981
Current assets (including cash and cash equivalents of Nil (2014: $48,890,000))	–	–	89,065	23,506
Non-current liabilities	–	–	(186,291)	(122,681)
Current liabilities (including trade and other payables of Nil (2014: $100,068,000))	–	–	(86,357)	(33,380)
Net assets	–	–	403,582	63,426
Group's 50% share of net assets and carrying amounts	–	–	201,791	31,713
Revenue	58,419	15,958	45,205	20,029
Depreciation and amortisation	(11,877)	(3,453)	(10,924)	(3,288)
Interest income	109	35	113	45
Interest expense	(5,886)	(6,398)	(5,444)	(8,019)
Income tax expense	(611)	–	(1,140)	–
Loss for the year	(23,838)	(9,537)	(7,729)	(15,395)
Other comprehensive income	(162)	1,056	14,752	1,879
Total comprehensive income	(24,000)	(8,481)	7,023	(13,516)
Group's 50% share of loss	(11,919)	(4,769)	(3,864)	(7,698)
Group's 50% share of total comprehensive income	(12,000)	(4,241)	3,511	(6,758)

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

	2015	2014
	$'000	$'000
Carrying amount of interests in joint ventures	7,374	342
Share of:		
- Loss from continuing operations	(29)	(44)
- Other comprehensive income	2	–
Total comprehensive income	(27)	(44)

In 2014, the Group's share of contingent liabilities in respect of a bank guarantee amounted to $113,363,000.

The following table reconciles the carrying amount of the Group's interest in joint ventures, modified for fair value adjustments on acquisition, which is accounted for using equity method.

	2015	2014
	$'000	$'000
Group's interest in net assets of joint ventures at beginning of the year	233,846	237,284
Group's share of:		
- Loss from continuing operations	(16,717)	(11,606)
- Other comprehensive income	449	8,315
- Total comprehensive income	(16,268)	(3,291)
Group's contribution during the year	7,063	206
Carrying amount of interest in joint venture acquired as subsidiary	(27,915)	–
Carrying amount of interest in joint venture reclassified to assets held for sale	(189,883)	–
Carrying amount of disposal in joint venture	–	(915)
Group's fair value adjustments at acquisition	531	562
Carrying amount of interest in joint venture at end of the year	7,374	233,846

9 ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Unquoted equity securities	138,291	100,335	15,455	14,983

The Group's unquoted equity securities with a carrying amount of $77,769,000 (2014: $89,404,000) have been pledged as collateral for banking facilities granted to the associates.

Details of major associates are as follows:

Name of associate	Country of incorporation	Ownership interest	
		2015	2014
		%	%
Held by the Company			
SingSpring Trust	Singapore	30	30
Held through subsidiaries			
Tahlyat Myah Magtaa SPA	Algeria	47	47
Tus Water Group Limited	Hong Kong	25*	–

* Tus Water Group Limited is an associate set up in collaboration with Tuspark Technology Services Investment Ltd (Tuspark TSI) to hold strategic investments in water projects in the PRC.

The Group has not recognised losses totalling $1,781,000 (2014: $nil) in relation to one of its interests in an associate as the Group has no obligation in respect of these losses.

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

The following table summarises the financial information of the Group's material associates, adjusted for any differences in accounting policies.

	2015		2014
	Tahlyat Myah Magtaa SPA	Tus Water Group Limited	Tahlyat Myah Magtaa SPA
Place of business	**Algeria**	**Hong Kong**	**Algeria**
	$'000	$'000	$'000
Non-current assets	430,484	174,339	492,812
Current assets	62,029	44,785	57,100
Non-current liabilities	(280,790)	–	(323,828)
Current liabilities	(94,539)	(20,612)	(79,868)
Net assets	117,184	198,512	146,216
Group's share of net assets and carrying amounts	55,076	49,628	68,721
Revenue	–	6,039	–
Loss for the year	(9,486)	(5,776)	(2,091)
Other comprehensive income	(19,548)	15,072	(9,687)
Total comprehensive income	(29,034)	9,296	(11,778)
Group's share of loss	(4,458)	(1,444)	(983)
Group's share of total comprehensive income	(13,645)	2,324	(5,536)

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

	2015	2014
	$'000	$'000
Carrying amount of interests in associates	33,587	31,614
Share of:		
- Profit from continuing operations	3,009	1,276
- Other comprehensive income	445	605
Total comprehensive income	3,454	1,881

The following table reconciles the carrying amount of the Group's interest in associates, modified for fair value adjustments on acquisition, which is accounted for using equity method.

	2015 $'000	2014 $'000
Group's interest in net assets of associates at beginning of the year	100,335	105,118
Group's share of:		
- Loss from continuing operations	(2,893)	293
- Other comprehensive income	(4,974)	(3,948)
- Total comprehensive income	(7,867)	(3,655)
Group's contribution during the year	47,304	8,589
Dividends received during the year	(2,271)	(6,238)
Carrying amount of disposal in associate	-	(8,507)
Group's fair value adjustments at acquisition date	790	5,028
Carrying amount of interest in associates at end of the year	138,291	100,335

10 OTHER INVESTMENTS

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current investments				
Financial assets at fair value through profit or loss	542	18,562	–	630

In 2013, the members of Hyflux Filtech (Singapore) Pte Ltd (Filtech Singapore) resolved to commence liquidation. Filtech Singapore was a 71% owned subsidiary of the Group with two subsidiaries in the People's Republic of China, namely, Hyflux Filtech (Shanghai) Co., Ltd (Filtech Shanghai) and Hyflux Unitech (Shanghai) Co., Ltd (Unitech Shanghai). Consequently, the Group deconsolidated these subsidiaries as it assessed that it no longer had control and reclassified these subsidiaries as other investments. In 2014, the Group continued to classify these entities as other investments.

In 2015, the Group's wholly owned subsidiary, Hyflux SIP Pte. Ltd. acquired the entire issued and paid-up share capital of Filtech Shanghai and Unitech Shanghai for a total consideration of $23,262,000. As a result of the acquisitions, the Group accounted these entities as subsidiaries as it assessed that it has control. See note 22 for further details.

Other investments were remeasured based upon total recoverable amount which included the proceeds from members' liquidation. The difference between the carrying amount and the total recoverable amount of $2,445,000 (2014: $Nil) was recognised in profit and loss as impairment expenses. See movements in note 30, page 138.

Notes to the financial statements

11 FINANCIAL RECEIVABLES

	Group	
	2015 $'000	2014 $'000
Non-current		
Financial receivables	546,271	384,670
Current		
Financial receivables	14,409	10,558
Total	560,680	395,228

The financial receivables represent the unconditional rights to receive cash or other financial asset from or at the direction of the grantors for the construction or upgrade services provided.

Singapore

See note 6 for the background of the service concession arrangements in Singapore.

Oman

In December 2014, the Group received a letter of award to design, build, own and operate an independent water project in Qurayyat, Sultanate of Oman (Qurayyat IWP) from Oman Power and Water Procurement Company SAOC (OPWP), the offtaker. Under the letter of award, the Group is responsible for turnkey engineering, procurement and construction as well as operations and maintenance of the plant. The water purchase agreement was signed on 25 March 2015.

Qurayyat IWP is a seawater reverse osmosis desalination plant with a designed capacity of 200,000 cubic metres per day. The project is scheduled to commence commercial operation by May 2017 under a 20-year water purchase agreement with OPWP.

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

The service concession agreement does not contain a renewal option. Subject to the terms and conditions of the service concession arrangement, the Group and OPWP have the right to terminate the agreement.

PRC

a) In September 2015, the Group completed the step up acquisition of H.J. NewSpring Limited from joint venture to wholly-owned subsidiary. As a result, the Group consolidated the financial receivables arising from service concession arrangement in Tianjin Dagang NewSpring Co., Ltd (Tianjin Dagang) at acquisition date. Tianjin Dagang is a membrane-based seawater desalination plant with a designed capacity of 100,000 cubic metres per day. Under the service concession arrangement, the Group has the rights to develop, design, build, own and operate the plant on 30 years concession with People's Government of Tianjin City, Dagang District. The plant has been operational since 2009.

b) In June 2015, the service concession rights held by the Group for 5 water and wastewater treatment plants in PRC were disposed of to Tus Water Group Limited (TWGL) for a total consideration of RMB 890,000,000 (equivalent to approximately $195,000,000). A gain arising from the disposal of the service concession rights, net of related expenses, amounted to $42,494,000 was recognised.

The Group, via Hyflux Capital (Singapore) Pte Ltd also entered into an agreement with Tuspark TSI, the holding company of TWGL to acquire 25% shareholding interest in TWGL.

12 ASSETS/ LIABILITIES HELD FOR SALE

a) In November 2015, management committed to a plan to sell its wholly owned plants in China, namely Hyflux NewSpring (Nantong) WWT Co., Ltd (Nantong WWT SPC) and Hyflux NewSpring (Wuhu) Co., Ltd (Wuhu SPC). Accordingly, these plants are presented as assets/liabilities held for sale. As at reporting date, completion of the sales of Wuhu SPC to Tus Water Group Limited and negotiation on sale of Nantong WWT SPC are currently in progress. Financial receivables in Nantong WWT SPC amounting to $5,989,000 was written off and recorded in other expense during the year. The write off was based on the expected recoverable amount for its financial receivables. Hence, it was applied to reduce the carrying amount of financial receivables within the disposal group.

As at 31 December 2015, assets and liabilities of the disposal group comprised the following:

	Note	Group 2015 $'000
Property, plant and equipment	4	1,747
Financial receivables		14,522
Inventories		16
Trade and other receivables		285
Cash and cash equivalents	17	5,412
Assets held for sale		21,982
Trade payable and other payables		13,339
Tax payable		8
Liabilities held for sale		13,347

Cumulative income or expenses recognised in Other Comprehensive Income (OCI)

There are no cumulative income or expenses included in OCI relating to the disposal group.

b) In 2015, management commenced the process to dispose of its 50% interest in Galaxy NewSpring Pte. Ltd. (Galaxy), which was previously accounted for as interest in joint venture. The interest in Galaxy amounting to $189,883,000 was reclassified to assets held for sale as at 31 December 2015.

Cumulative income or expenses recognised in OCI

There were no cumulative income or expenses included in OCI relating to the disposal group.

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current				
Amounts due from:				
- subsidiaries (non-trade)	–	–	972,287	791,173
- a joint venture (non-trade)	–	19,041	–	–
	–	19,041	972,287	791,173
Current				
Trade receivables	117,940	106,848	–	–
Prepayments	34,532	14,733	847	1,283
Deposits	4,285	5,553	–	–
Advances to suppliers	17,290	9,601	–	–
Staff advances	144	110	–	–
Derivatives (cash flow hedges):				
- foreign currency contract	3,279	–	2,727	–
- electricity futures	1,085	–	–	–
Other receivables	39,218	8,870	8,122	234
Amounts due from:				
- subsidiaries (trade)	–	–	13,731	13,239
- subsidiaries (non-trade)	–	–	816,054	748,551
- joint ventures (trade)	34,645	60,116	–	–
- joint ventures (non-trade)	2,938	3,536	3	535
- associates (trade)	19,708	7,598	–	–
- associates (non-trade)	722	24,319	5,831	5,510
	275,786	241,284	847,315	769,352
Total	275,786	260,325	1,819,602	1,560,525

The Group

As at 31 December 2015, trade receivables for the Group included a retention sum of $6,219,000 (2014: $4,930,000) relating to construction contracts in progress.

Included in current trade receivables of the Group as at 31 December 2015 were note receivables of $4,495,000 (2014: $2,101,000) relating to bank promissory notes for payment within the next six months.

As at 31 December 2015, other receivables included grant receivables from EMA relating to the Group's participation in the FSC scheme.

As at 31 December 2014, non-current non-trade amount due from a joint venture bore interest at rate of 6.55% per annum and was expected to be repayable in 2019. The joint venture became a subsidiary of the Group in 2015. See note 22.

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

The Company

Outstanding balances with subsidiaries, joint ventures and associates are unsecured. Except for an allowance for doubtful debts of $30,706,000 (2014: $29,212,000), there is no other allowance for doubtful debts arising from the outstanding balances.

Except for balances amounting to $934,044,000 (2014: $773,981,000) that bear interest at rates ranging between 6% to 6.5% (2014: 5% 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.

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

The Group's and the Company's exposure to credit and currency risks, including the expected contractual undiscounted cash flows of derivative financial instruments and impairment losses related to trade and other receivables, are as set out in note 30.

Notes to the financial statements

14 DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Tax losses	90,789	31,511	–	–
Deductible temporary differences	–	18	–	–
	90,789	31,529	–	–

The tax losses and deductible temporary differences are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the Company and certain subsidiaries operate. Tax losses of $83,474,000 (2014: $24,761,000) expire between 2016 to 2023 (2014: 2015 to 2022). Remaining tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

As at 31 December 2015, unrecognised tax losses mainly related to deferred tax assets not recognised arising from the acquisition of H.J. NewSpring Limited during the year. See note 22.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Property, plant and equipment	–	–	1,109	422
Intangible assets	–	–	3,602	3,602
Tax loss carry-forwards	(31,072)	(13,036)	–	–
Deferred tax (assets)/liabilities	(31,072)	(13,036)	4,711	4,024
Set off of tax	3,542	3,531	(3,542)	(3,531)
Net deferred tax (assets)/liabilities	(27,530)	(9,505)	1,169	493

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

	Balance as at 1 January 2014	Recognised in profit or loss (note 26)	Balance as at 31 December 2014	Recognised in profit or loss (note 26)	Acquired in business combination (note 22)	Effect of movements in exchange rates	Balance as at 31 December 2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Property, plant and equipment	875	(453)	422	(305)	992	–	1,109
Intangible assets	4,301	(699)	3,602	–	–	–	3,602
Tax loss carry-forwards	(1,951)	(11,085)	(13,036)	(14,494)	(3,600)	58	(31,072)
	3,225	(12,237)	(9,012)	(14,799)	(2,608)	58	(26,361)

15 GROSS AMOUNTS DUE FOR CONTRACT WORK

	Note	Group 2015	Group 2014
		$'000	$'000
Costs incurred and attributable profits		2,210,365	1,909,225
Progress billings		(2,088,331)	(1,836,009)
		122,034	73,216
Comprising of:			
Gross amounts due from contract work		128,126	94,410
Progress billings in excess of construction work-in-progress	18	(6,092)	(21,194)
		122,034	73,216

The Group's exposure to credit and currency risks, and impairment losses related to gross amounts due from contract work are as set out in note 30.

16 INVENTORIES

	Group 2015	Group 2014
	$'000	$'000
Raw materials and consumables	18,008	17,894
Work in progress	12,164	15,185
Finished goods	21,441	11,102
	51,613	44,181

During the year, inventories of the Group amounted to $288,000 (2014: $989,000) were fully written down to its net realisable value. The write-down is included as part of other expenses in profit or loss.

17 CASH AND CASH EQUIVALENTS

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		$'000	$'000	$'000	$'000
Bank balances		237,296	256,793	36,593	18,158
Fixed deposits with financial institutions		76,410	187,635	75,789	185,085
Cash and cash equivalents in the statements of financial position		313,706	444,428	112,382	203,243
Deposits pledged		(325)	(5,726)		
Bank overdrafts used for cash management purposes	19	(20,315)	(56,658)		
Cash and cash equivalents included in assets held for sale	12	5,412	–		
Cash and cash equivalents in the statement of cash flows		298,478	382,044		

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

18 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Non-current					
Derivatives – interest rate swaps used for hedging	30	13,169	29,275	–	–
Current					
Trade payables		168,664	119,246	–	–
Progress payments from customers	15	6,092	21,194	–	–
Accrued expenses		53,555	53,272	2,432	5,049
Other payables		23,653	21,525	6,793	7,288
Derivatives (cash flow hedges):					
- Fuel contracts	30	4,496	–	–	–
Amounts due to:					
- subsidiaries (trade)		–	–	40	40
- subsidiaries (non-trade)		–	–	60,558	57,987
- joint ventures (trade)		2,203	569	–	–
- joint ventures (non-trade)		862	860	–	–
- associates (trade)		6,481	13,213	–	–
		266,006	229,879	69,823	70,364
Total		279,175	259,154	69,823	70,364

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

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables, including outstanding derivative financial instruments are described in note 30.

19 LOANS AND BORROWINGS

	Note	Group		Company	
		2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Non-current liabilities					
Secured bank loans (a)		227,803	226,614	–	–
Unsecured bank loans (b)		272,070	333,621	41,000	199,696
Unsecured notes (c)		264,424	419,096	264,424	419,096
		764,297	979,331	305,424	618,792
Current liabilities					
Unsecured bank loans (b)		484,369	21,819	459,832	17,270
Unsecured notes (c)		154,968	74,987	154,968	74,987
Bank overdraft (d)	17	20,315	56,658	–	–
		659,652	153,464	614,800	92,257
Total		1,423,949	1,132,795	920,224	711,049

Notes to the financial statements

(a) Secured bank loans

Secured bank loans are denominated in SGD (2014: SGD). The secured bank loans are repayable between 2017 to 2031 (2014: 2017 to 2031). As at 31 December 2015, the effective interest rate is 5.57% (2014: 5.57%) per annum.

Secured bank loans of the Group relating to a project financing of a subsidiary were secured over intangible assets arising from service concession arrangements of $1,127,767,000 (2014: $986,981,000) and financial receivables of $238,791,000 (2014: $246,866,000).

(b) Unsecured bank loans

Unsecured bank loans of the Group are denominated in SGD, USD, RMB and EUR (2014: SGD, USD and EUR). The unsecured bank loans of the Group are repayable between 2016 to 2026 (2014: 2015 to 2026). As at 31 December 2015, the effective interest rate ranged from 1.00% to 5.90% (2014: 1.17% to 3.73%) per annum.

Unsecured bank loans of the Company are denominated in SGD, USD and EUR (2014: SGD, USD and EUR). The unsecured bank loans of the Company are repayable between 2016 to 2018 (2014: 2015 to 2016). As at 31 December 2015, the effective interest rate ranged from 1.00% to 3.13% (2014: 1.26% to 1.99%) per annum.

Unsecured bank loans of the Group totalling $691,509,000 (2014: $352,795,000) are guaranteed by the Company and a subsidiary of the Group.

Unsecured bank loans of the Company totalling $448,727,000 (2014: $216,966,000) are guaranteed by a subsidiary of the Group.

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

(c) Unsecured notes

Unsecured notes of the Group and Company are denominated in SGD (2014: SGD). The unsecured notes of the Group and Company are repayable between 2016 to 2019 (2014: 2015 to 2019). As at 31 December 2015, the effective interest rate ranged from 3.50% to 4.60% (2014: 3.50% to 4.60%) per annum.

As at 31 December 2015, $420,000,000 (2014: $495,000,000) of unsecured fixed rate notes were in issue. The unsecured fixed rate notes were issued under the multi-currency debt issuance programme, pursuant to which the Company may issue notes which bear currency, interest and maturity terms that vary with each series, as may be agreed between the Company and the dealers.

(d) Bank overdraft

The bank overdraft of the Group is denominated in DZD (2014: DZD) and is repayable in 2016 (2014: 2015). As at 31 December 2015, the effective interest rate is 6.00% (2014: ranged from 6.00% to 9.00%) per annum.

As at 31 December 2015, bank overdraft of the Group totalling $20,313,000 is guaranteed by the Company. As at 31 December 2014, bank overdraft of $56,658,000 was guaranteed by the Company and a subsidiary of the Group.

The Group's and Company's exposures to interest rate, foreign currency and liquidity risks are set out in note 30.

20 CAPITAL AND RESERVES

Share capital

	Ordinary shares		Perpetual preference shares*	
	2015	2014	2015	2014
	No. of shares $'000	No. of shares $'000	No. of shares $'000	No. of shares $'000
Group and Company				
On issue at 1 January	816,985	827,008	4,000	4,000
Exercise of share options	–	377	–	–
Purchase of treasury shares	(31,700)	(10,400)	–	–
On issue at 31 December	785,285	816,985	4,000	4,000

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

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

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

Ordinary shares

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

Issuance of ordinary shares

In 2014, 377,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2001 share option programme granted to key management staff. Options were exercised at an average price of $0.981 per option.

All issued shares were fully paid.

Notes to the financial statements

Perpetual preference shares

	Group and Company	
	2015	2014
	$'000	$'000
At 1 January and 31 December	392,569	392,569

In 2011, the Company issued 4,000,000 perpetual preference shares listed on the SGX.

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

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

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

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

Perpetual capital securities

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

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

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

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. During the year, 31,700,000 (2014: 10,400,000) shares were purchased and kept as treasury shares. As at 31 December 2015, the Group held 79,246,000 (2014: 47,546,000) of the Company's shares.

Capital reserve

The capital reserve comprises:

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

(b) Statutory Reserve Fund (SRF)

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

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

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

Foreign currency translation reserve

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

Hedging reserve

The hedging reserve comprises:

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

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

Employees' share option reserve

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

Dividends

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

	Group and Company	
For the year ended 31 December	**2015**	**2014**
	$'000	**$'000**
Final tax-exempt dividend paid of 1.60 cents (2014: 1.60 cents) per share in respect of previous financial year	12,909	13,234
Interim tax-exempt dividend paid of 0.70 cents (2014: 0.70 cents) per share in respect of current financial year	5,631	5,792
6% (2014: 6%) per annum of perpetual preference shares	24,000	24,000
Dividends for perpetual capital securities	25,650	8,553
	68,190	51,579

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

	Group and Company	
	2015	**2014**
	$'000	**$'000**
Final proposed tax-exempt dividend of 1.00 cents (2014: 1.60 cents) per share	7,853*	13,072*

* based on issued ordinary shares as at 31 December 2015 and 31 December 2014 respectively.

21 SHARE-BASED PAYMENT

As at 31 December 2015, the Group has the following share-based payment arrangements.

Share option scheme (equity-settled)

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

The Scheme is administered by the Remuneration Committee.

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

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

Disclosure of share option scheme

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

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2015	2015	2014	2014
	$		$	
Outstanding at 1 January	1.556	35,560,250	1.615	39,297,750
Forfeited during the year	1.497	(4,023,000)	1.771	(6,340,500)
Exercised during the year	–	–	0.981	(377,000)
Expired during the year	1.635	(9,418,250)	–	–
Granted during the year	0.858	5,920,000	1.165	3,030,000
Option granted but not accepted	–	–	1.165	(50,000)
Outstanding at 31 December	1.391	28,039,000	1.556	35,560,250
Exercisable at 31 December	1.571	16,726,400	1.603	24,608,050

The options outstanding as at 31 December 2015 have an exercise price in the range of $0.858 to $2.4187 (2014: $0.9813 to $2.4187) per share and a weighted average contractual life of 5.48 years (2014: 4.14 years).

No option was exercised in 2015. For share options exercised in 2014, the weighted average share price at the date of exercise was $1.171 per share.

Inputs for measurement of grant date fair values

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

Fair Value of share options and assumptions

Date of grant of options	**12 March 2015**	**15 January 2014**
Fair value at grant date	$0.129	$0.084
Share price at grant date	$0.855	$1.160
Exercise price	$0.858	$1.165
Expected volatility (weighted average volatility)	24.6%	14.5%
Option life (expected weighted average life)	100 days	100 days
Expected dividends	2.50%	2.62%
Risk-free interest rate (based on government bonds)	1.37%	0.67%

Notes to the financial statements

22 ACQUISITIONS OF SUBSIDIARIES

During the year, the Group acquired the following companies:

(i) Acquisition of Hyflux Filtech (Shanghai) Co., Ltd and Hyflux Unitech (Shanghai) Co., Ltd (collectively Filtech/Unitech Shanghai)

The holding company of Filtech/Unitech Shanghai, Hyflux Filtech (Singapore) Pte Ltd (Filtech Singapore) (in members' voluntary liquidation), was previously a 71% owned subsidiary of the Group. As a result of loss of control over Filtech Singapore and its subsidiaries since August 2013, the Group deconsolidated its interests in Filtech Singapore and its subsidiaries and classified these investments as other investments – fair value through profit or loss category.

In May 2015, the Group, via Hyflux SIP Pte Ltd, completed its acquisition of Filtech/Unitech Shanghai for a total purchase consideration of $23,262,000. The principal activities of Filtech/Unitech Shanghai relate to engineering, procurement and construction, installation, industrial testing and commissioning of liquid separation and treatment systems. Upon the completion of acquisition, the Group consolidated these entities in its consolidated financial statement for the financial year ended 31 December 2015.

In the seven months to 31 December 2015, Filtech/Unitech Shanghai contributed revenue of $2,043,000 and profit of $345,000. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue and consolidated profit for the year would have been increased by $550,000 and decreased by $2,408,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

Acquisition-related costs

The Group incurred acquisition-related costs of $240,000 on legal fees and due diligence costs. These costs have been included in other expenses.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	Group $'000
Property, plant and equipment	4	9,793
Deferred tax assets	14	3,600
Gross amounts due from contract work		14,070
Inventories		2,434
Trade and other receivables		16,407
Cash and cash equivalents		12,797
		59,101
Trade and other payables		29,320
Deferred tax liabilities	14	992
		30,312
Net identified assets		28,789
Gain on bargain purchase arising from business combination		(5,527)
Total purchase consideration		23,262

Cash outflow on acquisition in 2015:

Cost of acquisitions	(23,262)
Net cash acquired with subsidiaries	12,797
Net cash outflow on acquisition	(10,465)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets/liabilities acquired were as follows:

Assets/Liabilities acquired	Valuation techniques
Property, plant and equipment	*Depreciated replacement cost method:* Fair value is based on the estimated cost of a similar asset, adjusted for physical deterioration and all relevant forms of obsolescence.
Trade and other receivables, includes gross amount due for contract work; and trade and other payables	Fair value approximate the book value on the basis that such assets/ liabilities are to be settled within 12 months from the valuation date.

The trade and other receivables comprise gross contractual amounts due of $17,548,000 of which $1,141,000 was expected to be uncollectible at the date of acquisition.

Gain on bargain purchase

Upon remeasuring the fair value of its previously held equity interest, the Group recognised a gain of $5,527,000 in other income in statement of profit or loss (see note 25).

The Group believes that it was able to acquire Filtech/Unitech Shanghai for less than the fair value of its assets because of (i) the Group's unique position as one of the market leaders in similar industry; and (ii) the parent company which held these companies had resolved to commence liquidation. Hence, the Group was able to acquire at a favourable purchase price.

(ii) Acquisition of H.J. NewSpring Limited

In July 2015, the Group entered into a sale and purchase agreement with JGC to acquire JGC's entire equity interests in H.J. NewSpring Limited, the holding company of Tianjin Dagang NewSpring Co., Ltd in PRC.

In September 2015, the Group completed the step up acquisition of H.J. NewSpring Limited from joint venture to wholly-owned subsidiary. As a result, the Group's equity interest in H.J. NewSpring Limited increased from 50% to 100%. A provisional gain from acquisition of subsidiaries amounting to $12,258,000 was recognised in profit or loss.

In the three months to 31 December 2015, H.J. NewSpring Limited contributed revenue of $6,815,000 and loss of $1,479,000. If the acquisition had occurred on 1 January 2015, management estimates that the contributions to consolidated revenue and consolidated profits would have been increased by $15,958,000 and decreased by $4,769,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	Group $'000
Property, plant and equipment	4	20,283
Financial receivables - non-current		202,985
Inventories		4,932
Financial receivables - current		8,170
Trade and other receivables		4,113
Cash and cash equivalents		7,171
		247,654
Trade and other payables		52,859
Loans and borrowings - current		11,031
Loans and borrowings - non-current		100,943
		164,833
Net identified assets		82,821
Less: Amount previously accounted for as joint venture, at fair value		(27,915)
		54,906
Gain from acquisition of subsidiaries		(12,258)
Total purchase consideration		42,648

Cash outflow on acquisition in 2015:

Cost of acquisitions	(42,648)
Net cash acquired with subsidiaries	7,171
Net cash outflow on acquisition	(35,477)

Fair values measured on a provisional basis

The carrying amounts above have been determined to approximate their fair values. If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amount, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Determination of fair value of identifiable assets in purchase price allocation

Business combinations are accounted for by applying the acquisition method. The Group identifies the individual assets and liabilities in the investees and allocates the purchase price to the assets and liabilities identified, which is known as purchase price allocation. Typical sources of estimation uncertainty in business combination accounting include (i) establishing the fair values and useful lives of acquired property, plant and equipment; and (ii) establishing the fair values of financial receivables arising from service concession arrangement.

Gain on bargain purchase

The Group's previously held 50% interest in H.J. NewSpring Limited was remeasured at fair value. As a result, a bargain purchase gain amounting to $12,258,000 was recognised in "other income" in the statement of profit or loss (see note 25).

23 REVENUE

	Group	
	2015	**2014**
	$'000	**$'000**
Construction revenue	358,523	220,646
Operating and maintenance income	55,951	61,131
Sale of goods	19,231	25,823
Finance income	8,953	8,957
Others	2,583	4,837
	445,241	321,394

24 FINANCE COSTS

	Group	
	2015	**2014**
	$'000	**$'000**
Interest expense - bank loans	42,790	34,829

25 PROFIT BEFORE INCOME TAX

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

		Group	
	Note	**2015**	**2014**
		$'000	**$'000**
Audit fees paid to:			
- auditors of the Company		445	438
- other member firms of KPMG International		240	133
- other auditors		100	62
Financial receivables written off		5,989	2,886
Gain from acquisition of subsidiaries	22	(17,785)	–
Gain on disposal of an associate and a joint venture		–	(54,118)
Gain on sale of property, plant and equipment		(15,502)	(103,684)
Interest income:			
- fixed deposits with financial institutions		(1,087)	(2,313)
- associates		(1,447)	(1,423)
- joint venture		(1,029)	(311)
Intangible assets arising from service concession arrangements written off		6,086	990
Loss on liquidation of subsidiaries		–	98
Net foreign currency exchange loss		9,231	287
Non-audit fees paid to:			
- auditors of the Company		5	216
Other income – Grant income		(22,534)	–
Operating lease expense		20,959	18,763
Professional fees paid to firms in which a director is member		242	258
Research expense		411	933
Staff costs (see below)		65,200	75,183
Utilities expense		23,073	29,259
(Write-back of)/Impairment losses on trade and other receivables		(153)	28,069

Staff costs		
Salaries, bonuses and other costs	58,829	68,635
Contribution to defined contribution plans	6,057	5,979
Employees' share option expense	314	569
	65,200	75,183

In 2015, the Group participated in a FSC scheme launched by the EMA. As a result, the Group entered into market making agreements with SGX as market maker. FSC grant income is recognised upon fulfilment of such market making obligations.

26 TAX CREDITS

	Group	
	2015	2014
	$'000	$'000
Current tax expense		
Current year	7,768	6,848
Under/(Over) provided in prior years	336	(364)
	8,104	6,484
Deferred tax expense		
Origination and reversal of temporary differences	(14,420)	(12,237)
Overprovided in prior years	(379)	–
	(14,799)	(12,237)
Tax credits	(6,695)	(5,753)

Reconciliation of effective tax rate

Profit before income tax	38,777	53,060
Income tax using Singapore tax rate of 17% (2014: 17%)	6,592	9,020
Effect of different tax rates in foreign jurisdictions	1,970	(3,026)
Tax exempt and non-taxable income	(25,050)	(29,884)
Non-deductible expenses	5,684	9,194
Current year losses for which no deferred tax asset was recognised	3,162	–
Effect of partial tax exemption and incentives	2,990	9,307
Recognition of tax effect on previously unrecognised tax losses	(2,000)	–
Over provided in prior years	(43)	(364)
	(6,695)	(5,753)

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

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

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

Notes to the financial statements

27 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 was based on the loss attributable to ordinary shareholders of $8,377,000 (2014: profit of $13,669,000), and a weighted average number of ordinary shares outstanding of 801,484,406 (2014: 824,833,989), calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2015	2014
	$'000	$'000
Profit for the year	41,273	57,469
Dividends on perpetual preference shares	(24,000)	(24,000)
Dividends on perpetual capital securities	(25,650)	(19,800)
(Loss)/Profit attributable to ordinary shareholders	(8,377)	13,669

Weighted average number of ordinary shares

	2015	2014
	$'000	$'000
Issued ordinary shares at 1 January	816,985	827,008
Effect of own shares held	(15,501)	(2,416)
Effects of share options exercised	–	242
Weighted average number of ordinary shares at 31 December	801,484	824,834

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2015 was based on loss attributable to ordinary shareholders of $8,377,000 (2014: profit of $13,669,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 801,484,406 (2014: 825,038,717), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2015	2014
	$'000	$'000
Weighted average number of ordinary shares (basic)	801,484	824,834
Effect of share options on issue	–	205
Weighted average number of ordinary shares (diluted) at 31 December	801,484	825,039

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').

28 SEGMENT REPORTING

(a) Operating segments

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

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

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

Other operations include consumer business. None of these other segments meets any of the quantitative thresholds for determining reportable segments in 2015 or 2014.

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

(b) Geographical segments

The Group operates in 4 principal geographical areas: Singapore, China, Middle East & North Africa and 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.

Information about reportable segments

	Municipal		Industrial		All other segments		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenues	419,089	269,868	24,110	46,410	2,042	5,116	445,241	321,394
Inter-segment revenue	–	43	–	–	–	4,567	–	4,610
Interest income	3,018	2,019	225	35	1	16	3,244	2,070
Finance costs	(30,637)	(20,527)	(31)	(49)	–	(588)	(30,668)	(21,164)
Depreciation, amortisation and impairment	(12,806)	(10,894)	(5,531)	(14,121)	(1,452)	(2,555)	(19,789)	(27,570)
Reportable segment profit/(loss) before income tax	62,396	(26,219)	8,404	(46,030)	1,836	153,319*	72,636	81,070
Share of (loss)/profit of associates and joint ventures, net of income tax	(19,610)	(9,383)	–	(1,961)	–	31	(19,610)	(11,313)
Tax credit/(expense)	8,780	7,594	(1)	(44)	(2,084)	(1,797)	6,695	5,753
Operating lease expenses	(18,986)	(14,670)	(1,761)	(3,472)	(212)	(620)	(20,959)	(18,762)
Contribution to defined contribution plan, included in staff cost	(5,074)	(4,803)	(759)	(911)	(193)	(266)	(6,026)	(5,980)
Reportable segment assets	2,533,861	2,028,524	185,700	161,399	84,751	45,093	2,804,312	2,235,016
Interests in joint ventures	7,374	233,846	–	–	–	–	7,374	233,846
Interests in associates	138,291	100,335	–	–	–	–	138,291	100,335
Capital expenditure	21,497	6,112	4,852	4,508	131	2,199	26,480	12,819
Reportable segment liabilities	1,067,261	994,952	89,316	25,578	24,593	38,965	1,181,170	1,059,495

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

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

	2015 $'000	2014 $'000
Revenues		
Total revenue for reportable segments	443,199	316,278
Revenue for all other segments	2,042	5,116
Consolidated revenue	445,241	321,394
Profit or loss		
Total profit or loss for reportable segments	70,800	(72,249)
Profit or loss for all other segments	1,836	153,319
	72,636	81,070
Unallocated other corporate expenses	(14,249)	(16,697)
Share of losses of associates and joint ventures, net of income tax	(19,610)	(11,313)
Consolidated profit before income tax	38,777	53,060
Assets		
Total assets for reportable segments	2,719,561	2,189,923
Assets for all other segments	84,751	45,093
Interests in associates and joint ventures	145,665	334,181
Other unallocated amounts	75,378	172,518
Consolidated total assets	3,025,355	2,741,715
Liabilities		
Total liabilities for reportable segments	1,156,577	1,020,530
Liabilities for all other segments	24,593	38,965
Other unallocated amounts	543,334	340,232
Consolidated total liabilities	1,724,504	1,399,727

	Reportable segment totals $'000	Reconciliations $'000	Consolidated totals $'000
Other material items in 2015			
Interest income	3,244	319*	3,563
Finance costs	(30,668)	(12,122)*	(42,790)
Capital expenditure	26,480	1,377^	27,857
Depreciation, amortisation and impairment	(19,789)	(2,446)^	(22,235)
Other material items in 2014			
Interest income	2,070	1,977*	4,047
Finance costs	(21,164)	(13,665)*	(34,829)
Capital expenditure	12,819	1,446^	14,265
Depreciation, amortisation and impairment	(27,570)	(5,010)^	(32,580)

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

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

Geographical information

	Revenues $'000	Non-current assets $'000
31 December 2015		
Singapore	168,850	1,498,897
Middle East & North Africa	175,981	183,335
People's Republic of China	88,154	339,253
Rest of the World	12,256	8,365
	445,241	2,029,850
31 December 2014		
Singapore	232,557	1,335,339
Middle East & North Africa	21,232	80,152
People's Republic of China	47,919	486,032
Rest of the World	19,686	1,378
	321,394	1,902,901

Major customer

Revenue arising from service concession arrangement relating to one grantor of the Group's municipal segment represents approximately $139,064,000 (2014: $181,398,000) of the Group's total revenues.

29 DETERMINATION OF FAIR VALUES

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

Property, plant and equipment

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

Intangible assets

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

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

Other investments

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

Trade and other receivables

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

Non-derivative financial liabilities

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

Derivatives

The fair value of 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.

30 FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

Credit risk

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

Loan and other receivables

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

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

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

Exposure to credit risk

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

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Financial receivables	11	560,680	395,228	–	–
Trade and other receivables *	13	241,254	245,592	1,818,755	1,559,242
Gross amounts due from contract work	15	128,126	94,410	–	–
Total receivables		930,060	735,230	1,818,755	1,559,242

* *Excludes prepayments*

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

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Municipal	811,692	592,129	–	–
Industrial	53,425	26,266	–	–
Subsidiaries	–	–	1,802,072	1,552,963
Joint ventures	37,583	82,695	3	535
Associates	20,430	31,917	5,831	5,510
Others	6,930	2,223	10,849	234
	930,060	735,230	1,818,755	1,559,242

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 credit quality of gross amount due for contract work is assessed based on its estimate on the recoverability of its gross amount due for contract work, arising from construction projects, on the outcome of discussions with customers which are on-going as at reporting date. At the reporting date, the Group believes that the credit quality of gross amount due for contract work is of acceptable risk based on the latest development on those discussions. As there are no indication to suggest the gross amounts due for contracts cannot be recovered, no impairment loss was recognised in the Group's profit or loss during the year.

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

Impairment losses

The ageing of total receivables at the reporting date was:

	Gross 2015 $'000	Impairment 2015 $'000	Gross 2014 $'000	Impairment 2014 $'000
Group				
Not past due	863,062	–	679,457	–
Past due 1 to 60 days	5,205	–	1,125	–
Past due 61 to 180 days	4,270	476	4,159	–
More than 180 days	109,266	51,267	88,907	38,418
	981,803	51,743	773,648	38,418
Company				
Not past due	1,818,755	–	1,588,454	29,212
More than 180 days	30,706	30,706	–	–
	1,849,461	30,706	1,588,454	29,212

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
At 1 January	38,418	9,550	29,212	–
(Write-back)/Impairment loss recognised	(153)	28,069	–	29,212
Impairment loss written off	(6)	(20)	–	–
Acquisition of subsidiaries	11,975	–	–	–
Effect of movements in exchange rates	1,509	819	1,494	–
At 31 December	51,743	38,418	30,706	29,212

During the year, the Group recorded a write back allowance for impairment of $153,000 (2014: impairment made of $28,069,000) representing its estimated exposure in respect of trade and other receivables, based on both specific and a collective assessment for a group of similar assets and historical settlement patterns for such assets.

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

Based on historic default rates, payment behaviour and analysis of the customers' underlying credit ratings, the Group believes that, apart from the above, no further impairment allowance is necessary in respect of the Group's loans and receivables that are unimpaired as at 31 December 2015 and 2014 as these loans and receivables are mainly due from government bodies, government agencies or customers that have good payment records with the Group.

Derivatives

The derivatives are entered into with bank and financial institutions which are regulated. As at 31 December 2015, all derivatives are used as a hedging instrument in a qualifying cash flow hedge.

Cash and cash equivalents

The Group held cash and cash equivalents of $313,706,000 as at 31 December 2015 (2014: $444,428,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with financial institution counterparties, which are licensed banks in the countries that the Group operates in.

As at 31 December 2015, 69% (2014: 82%) of the Group's cash and cash equivalents are held with financial institutions in Singapore.

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.

Intra-group financial guarantees

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

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

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

Notes to the financial statements

The maximum exposure of the Company in respect of the above intra-group financial guarantee at the end of the reporting period relating to the facilities drawn down by the subsidiaries amounted to $338,418,000 (2014: $368,730,000). The period in which the financial guarantees expire are as follows:

	Company	
	2015	2014
	$'000	$'000
Within one year	57,569	75,413
From two to five years	140,058	60,014
More than five years	140,791	233,303
	338,418	368,730

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

Exposure to liquidity risk

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

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	From 2 to 5 years $'000	More than 5 years $'000
Group					
2015					
Non-derivative financial liabilities					
Bank overdraft	20,315	(21,533)	(21,533)	–	–
Variable interest rate loans	984,242	(1,177,748)	(522,723)	(237,298)	(417,727)
Fixed interest rate notes	419,392	(460,022)	(168,498)	(291,524)	–
Trade and other payables*	255,418	(255,418)	(255,418)	–	–
	1,679,367	(1,914,721)	(968,172)	(528,822)	(417,727)

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	From 2 to 5 years $'000	More than 5 years $'000
Group					
2015					
Non-derivative financial liabilities					
Futures contracts used for hedging (net-settled)	(1,085)	1,085	1,085	–	–
Foreign currency contracts used for hedging (gross-settled)	(3,279)	3,279	3,279	–	–
- outflow		(27,471)	(27,471)	–	–
- inflow		30,750	30,750	–	–
Fuel contracts used for hedging (net-settled)	4,496	(4,496)	(4,496)	–	–
Interest rate swaps used for hedging (net-settled)	13,169	(61,966)	(5,061)	(33,742)	(23,163)
	1,692,668	(1,976,819)	(973,365)	(562,564)	(440,890)
2014					
Non-derivative financial liabilities					
Bank overdraft	56,658	(60,176)	(60,176)	–	–
Variable interest rate loans	572,531	(696,051)	(45,107)	(294,519)	(356,425)
Fixed interest rate loans	9,523	(11,744)	(355)	(4,225)	(7,164)
Fixed interest rate notes	494,083	(553,404)	(92,884)	(460,520)	–
Trade and other payables*	208,685	(208,685)	(208,685)	–	–
	1,341,480	(1,530,060)	(407,207)	(759,264)	(363,589)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	29,275	(104,789)	(6,483)	(49,016)	(49,290)
	1,370,755	(1,634,849)	(413,690)	(808,280)	(412,879)

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

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	From 2 to 5 years $'000	More than 5 years $'000
Company					
2015					
Non-derivative financial liabilities					
Variable interest rate loans	500,832	(508,269)	(464,949)	(43,320)	–
Fixed interest rate notes	419,392	(460,022)	(168,498)	(291,524)	–
Trade and other payables	69,823	(69,823)	(69,823)	–	–
Recognised financial liabilities	990,047	(1,038,114)	(703,270)	(334,844)	–
Intra-group financial guarantee	–	(338,418)	(338,418)	–	–
	990,047	(1,376,532)	(1,041,688)	(334,844)	–
Derivative financial instruments					
Foreign currency contracts used for hedging (gross-settled)	(2,727)	2,727	2,727	–	–
- outflow		(10,566)	(10,566)	–	–
- inflow		13,293	13,293	–	–
	987,320	(1,373,805)	(1,038,961)	(334,844)	–
2014					
Non-derivative financial liabilities					
Variable interest rate loans	216,966	(223,571)	(21,225)	(202,346)	–
Fixed interest rate notes	494,083	(553,404)	(92,884)	(460,520)	–
Trade and other payables	70,364	(70,364)	(70,364)	–	–
Recognised financial liabilities	781,413	(847,339)	(184,473)	(662,866)	–
Intra-group financial guarantee	–	(368,730)	(368,730)	–	–
	781,413	(1,216,069)	(553,203)	(662,866)	–

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

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

The intra-group financial guarantees are allocated to the earliest period in which the guarantees can be called, which is within a year. The expiry of these guarantees are as presented in page 128. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

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. The Group also seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk on sales, purchases, cash and cash equivalents and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the US dollars and Euro.

Exposure to currency risk

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

	2015		2014	
	US dollars $'000	Euro $'000	US dollars $'000	Euro $'000
Group				
Trade and other receivables	84,660	5,173	47,767	1,066
Gross amounts due for contract work	67,962	–	63,795	–
Cash and cash equivalents	106,896	5,943	33,388	18,892
Loans and borrowings	(416,161)	(21,843)	(306,314)	(4,043)
Trade and other payables	(90,508)	(28,584)	(35,845)	(21,548)
Net statement of financial position exposure	(247,151)	(39,311)	(197,209)	(5,633)
Exposure hedged against forecasted purchase	(17,188)	(4,465)	–	(6,500)
Exposure hedged against bank borrowing	157,894	–	–	–
Net exposure	(106,445)	(43,776)	(197,209)	(12,133)

	2015		2014	
	US dollars $'000	Euro $'000	US dollars $'000	Euro $'000
Company				
Trade and other receivables	459,630	64,039	357,674	35,572
Cash and cash equivalents	93,761	5,380	2,104	18,611
Loans and borrowings	(265,963)	(21,843)	(158,063)	(4,043)
Trade and other payables	(50,191)	(24)	(20,570)	–
Net statement of financial position exposure	237,237	47,552	181,145	50,140
Exposure hedged against bank borrowing	157,894	–	–	–
Net exposure	395,131	47,552	181,145	50,140

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the US dollar and Euro as at 31 December would have increased/ (decreased) equity and profit before income tax in profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014, although the reasonably possible foreign exchange rate variances were different, as indicated below:

	Group		Company	
	Profit before income tax $'000	Equity $'000	Profit before income tax $'000	Equity $'000
31 December 2015				
US dollars (10% strengthening)	8,926	14,071	(39,513)	15,789
Euro (10% strengthening)	4,378	(446)	(4,755)	–
31 December 2014				
US dollars (10% strengthening)	19,721	–	(18,115)	–
Euro (10% strengthening)	1,213	(650)	(5,014)	–

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

Interest rate risk

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 interest-bearing financial instruments was:

	Group Nominal value		Company Nominal value	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Bank overdraft	(20,315)	(56,658)	–	–
Fixed interest rate loans	–	(9,523)	–	–
Unsecured notes	(419,392)	(495,000)	(419,392)	(495,000)
Interest rate swaps used for hedging	(230,000)	(230,000)	–	–
	(669,707)	(791,181)	(419,392)	(495,000)

The Group designated interest rate swaps as hedges against variability in cash flows attributable to interest rate fluctuations. As at 31 December 2015, the Group receives floating interest, and pays a fixed rate of interest at 5.57% (2014: 5.57%) per annum for one of the borrowings with notional amount of $230,000,000 (2014: $230,000,000).

	Group Nominal value		Company Nominal value	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Variable rate instruments				
Variable interest rate loans	(984,224)	(585,983)	(500,832)	(217,255)
Interest rate swaps used for hedging	230,000	230,000	–	–
	(754,224)	(355,983)	(500,832)	(217,255)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 75 basis points in interest rates at the reporting date would have increased/(decreased) profit before income tax in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit before income tax	
	75 bp increase	75 bp decrease
	$'000	$'000
Group		
31 December 2015		
Variable rate instruments	(5,657)	5,657
31 December 2014		
Variable rate instruments	(2,670)	2,670
Company		
31 December 2015		
Variable rate instruments	(3,756)	3,756
31 December 2014		
Variable rate instruments	(1,629)	1,629

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	
	2015	2014
	$'000	$'000
Fuel contracts	16,634	–

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 2015		
Fuel contracts	(1,214)	1,214

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.

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	Designated at fair value	Loans and receivables	Fair value – hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
31 December 2015										
Financial assets carried at fair value										
Other investments	10	542	–	–	–	542	–	–	542	542
Derivatives	13	–	–	4,364	–	4,364	–	4,364	–	4,364
Financial assets not carried at fair value										
Cash and cash equivalents	17	–	313,706	–	–	313,706				
Trade and other receivables*	13	–	236,890	–	–	236,890				
Financial receivables	11	–	560,680	–	–	560,680	–	576,615	–	576,615
Gross amounts due for contract work	15	–	128,126	–	–	128,126				
		542	1,239,402	4,364	–	1,244,308				
Financial liabilities carried at fair value										
Derivatives	18	–	–	(17,665)	–	(17,665)	–	(17,665)	–	(17,665)
Financial liabilities not carried at fair value										
Secured bank loans	19	–	–	–	(227,803)	(227,803)				
Unsecured bank loans	19	–	–	–	(756,439)	(756,439)				
Unsecured notes	19	–	–	–	(419,392)	(419,392)	–	(415,777)	–	(415,777)
Trade and other payables#	18	–	–	–	(255,418)	(255,418)				
Bank overdraft	19	–	–	–	(20,315)	(20,315)				
		–	–	(17,665)	(1,679,367)	(1,697,032)				

		Carrying amount					Fair value			
	Note	Designated at fair value	Loans and receivables	Fair value – hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
31 December 2014										
Financial assets carried at fair value										
Other investments	10	18,562	–	–	–	18,562	–	–	18,562	18,562
Financial assets not carried at fair value										
Cash and cash equivalents	17	–	444,428	–	–	444,428				
Trade and other receivables*	13	–	245,592	–	–	245,592				
Financial receivables	11	–	395,228	–	–	395,228	–	402,449	–	402,449
Gross amounts due for contract work	15	–	94,410	–	–	94,410				
		18,562	1,179,658	–	–	1,198,220				
Financial liabilities carried at fair value										
Derivatives	18	–	–	(29,275)	–	(29,275)	–	(29,275)	–	(29,275)
Financial liabilities not carried at fair value										
Secured bank loans	19	–	–	–	(226,614)	(226,614)				
Unsecured bank loans	19	–	–	–	(355,440)	(355,440)				
Unsecured notes	19	–	–	–	(494,083)	(494,083)	–	(489,531)	–	(489,531)
Trade and other payables#	18	–	–	–	(208,685)	(208,685)				
Bank overdraft	19	–	–	–	(56,658)	(56,658)				
		–	–	(29,275)	(1,341,480)	(1,370,755)				

* *Excludes derivatives (shown separately) and prepayments*

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

	Note	Carrying amount: Designated at fair value $'000	Carrying amount: Loans and receivables $'000	Carrying amount: Fair value – hedging instruments $'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 2015										
Financial assets carried at fair value										
Derivatives	13	–	–	2,727	–	2,727	–	2,727	–	2,727
Financial assets not carried at fair value										
Cash and cash equivalents	17	–	112,382	–	–	112,382				
Trade and other receivables*	13	–	1,816,028	–	–	1,816,028				
		–	1,928,410	2,727	–	1,931,137				
Financial liabilities not carried at fair value										
Unsecured bank loans	19	–	–	–	(500,832)	(500,832)				
Unsecured notes	19	–	–	–	(419,392)	(419,392)	–	(415,777)	–	(415,777)
Trade and other payables	18	–	–	–	(69,823)	(69,823)				
		–	–	–	(990,047)	(990,047)				
31 December 2014										
Financial assets carried at fair value										
Other investments	10	630	–	–	–	630	–	–	630	630
Financial assets not carried at fair value										
Cash and cash equivalents	17	–	203,243	–	–	203,243				
Trade and other receivables*	13	–	1,559,242	–	–	1,559,242				
		630	1,762,485	–	–	1,763,115				
Financial liabilities not carried at fair value										
Unsecured bank loans	19	–	–	–	(216,966)	(216,966)				
Unsecured notes	19	–	–	–	(494,083)	(494,083)	–	(489,531)	–	(489,531)
Trade and other payables	18	–	–	–	(70,364)	(70,364)				
		–	–	–	(781,413)	(781,413)				

* *Excludes derivatives (shown separately) and prepayments*

Interest rates used for determining fair value

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

	Group 2015	Group 2014
Amounts due from joint venture (non-trade)	–	5.9%
Unsecured notes	4.0%	4.0%
Financial receivables	2.86% - 3.51%	2.78% - 3.65%

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 beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Group Other investments $'000	Company Other investments $'000
At 1 January 2014	18,022	630
Additions	515	–
Translation differences	25	–
At 31 December 2014	18,562	630
At 1 January 2015	18,562	630
Proceeds from members' liquidation received during the year	(10,153)	(630)
Difference between the carrying amount and total amount recoverable recognised as impairment expense	(2,445)	–
Reclassified to other receivables	(5,424)	–
Translation differences	2	–
At 31 December 2015	542	–

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.

	Group	
	2015	**2014**
Loans and borrowings	1,423,949	1,132,795
Less: Cash and cash equivalents	(313,706)	(444,428)
Net debt	1,110,243	688,367
Total equity	1,300,851	1,341,988
Net gearing (times)	0.85	0.51

From time to time, the Group purchases its own shares on the market pursuant to the Shares Purchase Mandate (the Mandate) obtained at the Annual General Meeting (AGM) on 29 April 2015. During the year, 31,700,000 (2014: 10,400,000) shares were purchased and kept as treasury shares. The Mandate is subject to renewal annually by Shareholders at the AGM.

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

The Group and its subsidiaries are not subject to externally imposed capital requirements other than the following:

(i) Certain subsidiaries of the Group are required by the Foreign Enterprise Law of the People's Republic of China (PRC) to contribute to and maintain a non-distributable Statutory Reserve Fund (SRF) whose utilisation is subject to approval by the relevant PRC authorities (see note 20).

(ii) The Company is required under financial covenants of certain loan facilities to maintain:

- consolidated total tangible net worth, including intangible assets arising from service concession arrangements (TNW) of not less than $300 million;
- consolidated net borrowings to TNW of not more than 1.5 times; and
- aggregate of consolidated unencumbered cash and consolidated earnings before interest, tax, depreciation and amortisation to consolidated interest expenses of at least 3 times.

(iii) Certain subsidiaries of the Group are required under financial covenants of loan facilities to maintain certain debt service coverage ratio, debt to equity ratio and the loan amount to securities ratio.

These externally imposed capital requirements have been complied with by the Company and the relevant subsidiaries for the financial year ended 31 December 2015.

31 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Within one year	19,917	19,766
From two to five years	55,676	63,956
More than five years	102,772	112,396
	178,365	196,118

The Group has various operating lease agreements for site equipment, membrane 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.

32 CAPITAL COMMITMENTS

As at 31 December 2015, the Group has the following outstanding capital commitments:

i) $30,000,000 for interest in a joint venture. The amount was injected in January 2016. See note 35 for details;
ii) approximately $9,825,000 in Kaqun Europe Zrt, a consumer water technology company; and
iii) $8,285,000 (2014: $5,182,000) relating to property, plant and equipment.

On 26 October 2015, together with its consortium partner, the Group entered into the Waste-to-Energy Service Agreement with National Environment Agency (NEA) to develop Singapore's sixth waste-to-energy (WTE) plant to provide WTE services to NEA over a 25-year period from 2019 to 2044.

33 CONTINGENCIES

The Group has potential contingencies arising from the delayed completion of the construction of the Magtaa desalination plant in Algeria in its capacity as the Engineering, Procurement and Construction (EPC) contractor. Magtaa desalination plant was inaugurated in November 2014. In 2013, the Group filed for extension of time which would invalidate the liquidated damages claim made in 2012 by the project owner. At the same time, the Group also filed a counter-claim amount, arising from the additional work and costs incurred for prolonged delay. The departure from the contractual completion date was primarily caused by various reasons that were beyond the control of the Group, including a fire that broke out in July 2011 which destroyed key materials and equipment, as well as delay in testing and commissioning works due to, amongst other things, lack of power supply by the local government and readiness of the external distribution facilities to take the water. As at 31 December 2015, the Group is still in negotiation with the project owner.

In another desalination project in Algeria which was completed and handed over in 2011, the Group has potential contingencies arising from the delayed completion of the desalination plant in its capacity as the EPC contractor. The project owner claimed for full contractual liquidated damages due to the delay in completion under the EPC contract. On its part, the Group claimed for an extension of the contractual completion date as it had been prevented by the project owner from commencing testing and commissioning works sooner than it was eventually allowed to do so. Furthermore, the Group, in its capacity as the Operation and Maintenance contractor, has a claim against the project owner for unpaid mobilisation fees that it is contractually entitled to. As at 31 December 2015, the Group is still in negotiation with the project owner.

In a separate design and supply of a seawater desalination facility, the customer claimed for liquidated damages from the delay in completion. On its part, the Group in its capacity as the water technology provider for the project, claimed for an extension of the completion deadline as well as prolongation costs as the customer, who is responsible for the civil and structural works for the project, was late in its deliverables thereby obstructing the timely completion of project. As at 31 December 2015, the Group has commenced arbitration proceedings against the customer.

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 2015, the outcome of the Arbitration remains uncertain.

As at 31 December 2015, the Group recorded net provision of $20,000,000 (2014: $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.

34 RELATED PARTIES

Transactions with key management personnel

Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and management committee of the Company and the Group are considered as key management personnel of the Company and the Group.

Key management personnel compensation comprised:

	Group	
	2015	**2014**
	$'000	**$'000**
Directors' fees	520	478
Short-term employee benefits	3,146	3,029
Share-based payments	206	343
	3,872	3,850
Comprise amounts paid/payable to:		
- Directors of the Company	543	531
- Other key management personnel	3,329	3,319
	3,872	3,850

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 21.

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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Joint ventures				
Revenue from construction contracts	8,703	6,220	28,667	46,181
Revenue from maintenance contracts	6,333	5,420	5,510	13,467
Rental income	–	156	1,509	997
Service income	2,465	1,531	927	845
Associates				
Revenue from construction contracts	–	–	34,825	37,080
Revenue from maintenance contracts	26,606	26,796	21,235	12,388
Service income	86	151	39	151

35 SUBSEQUENT EVENTS

On 7 January 2016, the Company increased its Multicurrency Debt Issuance Programme limit from $800,000,000 to $1,500,000,000.

On 8 January 2016, the Group completed the acquisition of 50% equity interest in PT Oasis Water International (PT OWI). $30,000,000 representing tranche 1 of the total purchase consideration of $50,000,000 was made on the same day. The Group will equity account PT OWI in 2016.

Supplementary Information

MAJOR PROPERTIES AS AT 31 DECEMBER 2015

Description	Location	Site area (sqm)	Existing use	Approximate total lettable area (sqm)	Tenure	Group's effective interest (%)
Factory and warehouse building	8 Tuas South Lane Singapore 637302	77,172	Industrial	22,262	30 years commencing from 1 April 2008	100
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

Statistics of Shareholdings
As at 14 March 2016

ORDINARY SHARES

Class of ordinary shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Total number of issued ordinary shares	:	864,530,989
No. of issued ordinary shares (excluding treasury shares)	:	785,284,989
No. of treasury shares and percentage	:	79,246,000 (10.09%)

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares (Excluding Treasury Shares)	%
1 - 99	52	0.29	1,389	0.00
100 - 1,000	1,156	6.53	962,601	0.12
1,001 - 10,000	11,765	66.42	59,439,619	7.57
10,001 - 1,000,000	4,711	26.60	170,939,484	21.77
1,000,001 AND ABOVE	28	0.16	553,941,896	70.54
TOTAL	**17,712**	**100.00**	**785,284,989**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Ordinary Shares	%
1	OLIVIA LUM OOI LIN	267,351,211	34.05
2	DBS NOMINEES (PRIVATE) LIMITED	114,582,831	14.59
3	CITIBANK NOMINEES SINGAPORE PTE LTD	57,033,395	7.26
4	HSBC (SINGAPORE) NOMINEES PTE LTD	16,568,413	2.11
5	RAFFLES NOMINEES (PTE) LIMITED	14,966,511	1.91
6	MURUGASU DEIRDRE	12,306,267	1.57
7	BANK OF SINGAPORE NOMINEES PTE LTD	9,506,589	1.21
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,199,537	1.17
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	6,266,340	0.80
10	DB NOMINEES (SINGAPORE) PTE LTD	5,379,771	0.69
11	DBSN SERVICES PTE LTD	5,266,217	0.67
12	UOB KAY HIAN PRIVATE LIMITED	4,802,405	0.61
13	PHILLIP SECURITIES PTE LTD	4,622,677	0.59
14	YONG SIEW YOON	2,800,000	0.36
15	LEE PINEAPPLE COMPANY PTE LTD	2,750,000	0.35
16	LEE SENG TEE	2,550,000	0.32
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,213,784	0.28
18	OCBC SECURITIES PRIVATE LIMITED	2,180,283	0.28
19	LAW AH TA ARTHUR	1,796,718	0.23
20	CHUA KEE TEE	1,500,000	0.19
	TOTAL	543,642,949	69.24

Approximately 42.60% 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.

6% CUMULATIVE NON-CONVERTIBLE NON-VOTING PERPETUAL CLASS A PREFERENCE SHARES

DISTRIBUTION OF PREFERENCE SHAREHOLDINGS

Size of Shareholdings	No. of Preference Shareholders	%	No. of Preference Shares	%
1 - 99	14,663	68.91	619,050	15.48
100 - 1,000	6,260	29.42	1,446,920	36.17
1,001 - 10,000	343	1.61	788,590	19.71
10,001 - 1,000,000	12	0.06	1,145,440	28.64
TOTAL	**21,278**	**100.00**	**4,000,000**	**100.00**

TWENTY LARGEST PREFERENCE SHAREHOLDERS

No.	Name	No. of Ordinary Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	537,950	13.45
2	RAFFLES NOMINEES (PTE) LIMITED	179,120	4.48
3	CITIBANK NOMINEES SINGAPORE PTE LTD	97,000	2.43
4	BANK OF SINGAPORE NOMINEES PTE LTD	93,850	2.35
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	60,240	1.51
6	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	49,050	1.23
7	RONNY SIM	45,880	1.15
8	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	28,780	0.72
9	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	18,000	0.45
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	13,020	0.33
11	LEE JON YIN RAYMOND	11,950	0.30
12	GOH EE CHEONG, SUZAN	10,600	0.27
13	ASEAN FINANCE CORPORATION LTD A.K.A AFC MERCHANT BANK	10,000	0.25
14	NG HIAN WOON	9,370	0.23
15	DB NOMINEES (SINGAPORE) PTE LTD	9,150	0.23
16	TAY SOI LEE @ TAY LEE TEE	9,000	0.23
17	PHILLIP SECURITIES PTE LTD	8,400	0.21
18	ANG AH BENG	8,250	0.21
19	OLIVIA LUM OOI LIN	8,020	0.20
20	LIM KWEI WEI	7,590	0.19
	TOTAL	**1,215,220**	**30.42**

Substantial Ordinary Shareholders

As at 14 March 2016

Name of Shareholder	Direct Interest	Deemed Interest	%
Olivia Lum Ooi Lin	267,351,211	-	34.05
Mondrian Investment Partners Limited	-	62,258,148 [1]	7.93
Matthews International Capital Management, LLC	-	46,507,730[2]	5.92
Matthews International Funds	-	46,507,730[3]	5.92

Note:

1 Mondrian Investment Partners Limited ("Mondrian") is a London-based discretionary investment manager. In respect of assets managed under investment management agreement between Mondrian and its clients, various clients (in this regard) are the beneficial owners of holdings which are held in custody by the client's own appointed custodian.

2 Shares held for the benefit of accounts managed by Matthews International Capital Management, LLC.

3 The amount reported includes shares reported by Matthews International Capital Management, LLC which act as Investment Advisor to the Matthews International Funds and its other clients.

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
Lim Swee Kwang

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 2015):

Teo Han Jo

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

BANKERS

Agricultural Bank of China Limited,
Singapore Branch
7 Temasek Boulevard
#30-01/02/03 Suntec Tower 1
Singapore 038987

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

Arab Banking Corporation (B.S.C)
9 Raffles Place
#60-03 Republic Plaza
Singapore 048619

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

Bank of China Limited,
Singapore Branch
4 Battery Road, 15th Floor
Bank of China Building
Singapore 049908

Bank of Communications Co., Ltd,
Singapore Branch
50 Raffles Place
#18-01 Singapore Tower
Singapore 048623

Bank of Taiwan,
Singapore Branch
80 Raffles Place
#28-20 UOB Plaza 2
Singapore 048624

BNP Paribas,
Singapore Branch
10 Collyer Quay #34-01
Ocean Financial Centre
Singapore 049315

Chang Hwa Commercial Bank Ltd,
Singapore Branch
No. 1 Finlayson Green, #08-00
Singapore 049246

CTBC Bank Co., Ltd,
Singapore Branch
8 Marina View #33-02
Asia Square Tower One
Singapore 018960

Citibank, N.A.
8 Marina View
#21-01 Asia Square Tower 1
Singapore 018960

Clifford Capital Pte Ltd
Marina Bay Financial Centre Tower 3
#17-03, 12 Marina Boulevard
Singapore 018982

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

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

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

ING Bank N.V.,
Singapore Branch
9 Raffles Place, #19-02
Republic Plaza,
Singapore 048619

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

Japan Bank for
International Cooperation
9 Raffles Place #51-02
Republic Plaza
Singapore 048619

KfW IPEX-Bank GmbH
6 Shenton Way, OUE Downtown 2
#20-11
Singapore 068809

Land Bank of Taiwan,
Singapore Branch
80 Raffles Place
#34-01 UOB Plaza 1
Singapore 048624

Malayan Banking Berhad
2 Battery Road #16-01
Maybank Tower
Singapore 049907

Mega International Commercial
Bank Co.,Ltd.,
Singapore Branch
80 Raffles Place
#23-20 UOB Plaza II
Singapore 048624

Mizuho Bank, Ltd.,
Singapore Branch
168 Robinson Road
Capital Tower #13-00
Singapore 068912

Natixis,
Singapore Branch
50 Raffles Place
#41-01 Singapore Land Tower
Singapore 048623

Norddeutsche Landesbank
Girozentrale,
Singapore Branch
6 Shenton Way #16-00
DBS Building Tower 2
Singapore 068809

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

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

Sumitomo Mitsui Banking Corporation,
Singapore Branch
3 Temasek Avenue #06-01
Centennial Tower
Singapore 039190

The Bank of East Asia Limited,
Singapore Branch
137 Market Street
BEA Building
Singapore 048943

The Bank of Tokyo-Mitsubishi UFJ, Ltd
Singapore Branch
9 Raffles Place #01-01
Republic Plaza
Singapore 048619

United Overseas Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Hyflux Group of Companies

SINGAPORE
AcquaSpring Utility (Benghazi) Pte Ltd
AcquaSpring Utility (S) Pte Ltd
AcquaSpring Utility (Tobruk) Pte Ltd
AcquaSpring Utility (Tripoli East) Pte Ltd
Bendemeer Infrastructure Pte Ltd
Eflux Singapore Pte Ltd
Galaxy NewSpring Capital Pte Ltd
Galaxy NewSpring Pte Ltd
Galaxy Operation and Management Pte Ltd
HIH DahejSpring Desalination Pte Ltd
H.J. Technical Consultant Pte Ltd
Hydrochem (S) Pte Ltd
Hydrochem Desalination Technologies (Singapore) Pte Ltd
Hydrochem Engineering (S) Pte Ltd
Hydrochem Membrane Products (Singapore) Pte Ltd
Hyflux Academy Pte Ltd
Hyflux Aquosus (Singapore) Pte Ltd
Hyflux Asset Management Pte Ltd
Hyflux Capital (Singapore) Pte Ltd
Hyflux Caprica Pte Ltd
Hyflux Cleantech Pte Ltd
Hyflux Consumer Products Pte Ltd
Hyflux Construction Engineering (Singapore) Pte Ltd
Hyflux Energy Pte Ltd
Hyflux Engineering Pte Ltd
Hyflux EPC Pte Ltd
Hyflux Filtration (S) 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 O&M Pte Ltd
Hyflux SIP Pte Ltd
Hyflux Utility (India) Pte Ltd
Hyflux Utility (Indonesia) Pte Ltd
Hyflux Utility (Oman) Pte Ltd
Hyflux Utility (YN) Pte Ltd
Hyflux Utility WT (HCWT) Pte Ltd
Hyflux Utility WTP (DZ) Pte Ltd
Hyflux Utility WTP (FN) Pte Ltd
Hyflux Utility WTP (NNWT) Pte Ltd
Hyflux Utility WWT (HCCJ) Pte Ltd
Hyflux Utility WWT (HCHX) Pte Ltd
Hyflux Utility WWT (HCWT) Pte Ltd
Hyflux Utility WWT (ZY) Pte Ltd
Hyflux Utility WWTP (LP) Pte Ltd
Hyflux Utility WWTP (WH) Pte Ltd
Hyflux Water Trust
Hyflux Water Trust Management Pte Ltd
HyfluxShop Pte Ltd
Kallang Infrastructure Pte Ltd
Kallang Spring Pte Ltd
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
Yewa Water Company Pte Ltd
Elowater Pte Ltd
Hyflux Oasis International Pte Ltd
TuasOne Pte Ltd
TuasOne Environmental Engineering Pte Ltd

PEOPLE'S REPUBLIC OF CHINA
Eflux (Taizhou) Co., Ltd
Galaxy Operation and Management (Shanghai) Co., Ltd
Hydrochem Engineering (Shanghai) Co., Ltd
(In the process of liquidation)
Hydrochem Desalination Technologies (Shanghai) Co., Ltd
(In the process of liquidation)
Hydrochem Membrane and Membrane Products (Shanghai) Co., Ltd
Hyflux (Tianjin) Sewage Disposal Co., Ltd
Hyflux (Zunyi) Sewage Disposal Co., Ltd
Hyflux Caojie Sewage Disposal (Chongqing) Co., Ltd
Hyflux Engineering Design (Shanghai) Co., Ltd
(In the process of liquidation)
Hyflux Engineering (Shanghai) Co., Ltd
Hyflux Filtech (Shanghai) Co., Ltd
Hyflux GaoYang Sewage Disposal (ChongQing) Co., Ltd
Hyflux Hi-tech Product (Yangzhou) Co., Ltd
Hyflux Investment Consultancy and Management Service (Tianjin) Co., Ltd
Hyflux NewSpring (Changshu) Co., Ltd
Hyflux NewSpring (Dafeng) Co., Ltd
Hyflux NewSpring (Dezhou) Co., Ltd
Hyflux NewSpring (Funing) Co., Ltd
Hyflux NewSpring (Guanyun) Co., Ltd
Hyflux NewSpring (Leping) Co., Ltd
Hyflux NewSpring (Liaoyang) Co., Ltd
Hyflux NewSpring (LiaoYangGongChangLing) Co., Ltd
Hyflux NewSpring (Nantong) Co., Ltd
Hyflux NewSpring (Nantong) WT Co., Ltd
Hyflux NewSpring (Nantong) WWT Co., Ltd
Hyflux NewSpring (Taizhou) Co., Ltd
Hyflux NewSpring (Taoyuan) Co., Ltd
Hyflux NewSpring (Tianjin) Co., Ltd
Hyflux NewSpring (Tiantai) Co., Ltd
Hyflux NewSpring (Wuxi) Co., Ltd
Hyflux NewSpring (Wuhu) Co., Ltd.
Hyflux NewSpring (Yangzhou) Co., Ltd
Hyflux NewSpring (Zunhua) Co., Ltd
Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd
Hyflux NewSpring Sewage Disposal (Rudong) Co., Ltd
Hyflux NewSpring Sewage Disposal (Funing) Co., Ltd
(In the process of liquidation)
Hyflux NewSpring Water Treatment (Leping) Co., Ltd
Hyflux NewSpring Waste Water Treatment (Mingguang) Co., Ltd
Hyflux NewSpring Water Treatment (Mingguang) Co., Ltd
Hyflux NewSpring WT (Dafeng) Co., Ltd
(In the process of liquidation)
Hyflux Unitech (Shanghai) Co., Ltd
Hyfluxshop (Shanghai) Co., Ltd
(In the process of liquidation)
Langfang Hyflux NewSpring Co., Ltd
Ningxia Hypow Bio-Technology Co., Ltd
Sinolac (Huludao) Biotech Co., Ltd
Tianjin Dagang NewSpring Co., Ltd
Wuxi Hyflux NewSpring Sewage Disposal Co., Ltd

HONG KONG
H.J. NewSpring Limited
Hyflux Utility Water Limited
Hyflux Utility (DF) Limited
Hyflux Utility (HLD) Limited
Hyflux Utility (LP) Limited
Hyflux Utility (PJ) Limited
Hyflux Utility (TJ) Limited
Hyflux Utility (TY) Limited
Hyflux Utility (WX) Limited
Hyflux Utility (YK) Limited
Hyflux Utility (YL) Limited
Hyflux Utility WT (GCL) Limited
Hyflux Utility WT (LY) Limited
Hyflux Utility WT (MG) Limited
Hyflux Utility WT (XC) Limited
Hyflux Utility WT (YL) Limited
Hyflux Utility WT (YKG) Limited
Hyflux Utility WTP (GY) Limited
Hyflux Utility WWT (BC) Limited
Hyflux Utility WWT (GY) Limited
Hyflux Utility WWT (MG) Limited
Hyflux Utility WWT (XC) Limited
Hyflux Utility WWT (YL) Limited
Hyflux Utility WWT (YKG) Limited
Hyflux Utility WWTP (GY) Limited
Tus Water Group Limited

BRITISH VIRGIN ISLANDS
Hyflux Advanced Technology Ltd
Hyflux International Ltd
Hyflux Utility Ltd
Hyflux Water Projects Ltd
IndoSpring Utility Ltd
SinoSpring Utility Ltd
Spring China Utility Ltd
Spring Environment Ltd
Spring Utility Ltd

EUROPE
France
Tlemcen Desalination Investment Company SAS

Netherlands
Hyflux CEPAration B.V.
Hyflux CEPAration Technologies (Europe) B.V.

Netherlands Antilles
Hyflux CEPAration N.V.

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
(Formerly known as "Hyflux (Malaysia) Sdn Bhd")
Lautan Biru (L) Berhad

MIDDLE EAST AND AFRICA
Oman
Channel Environmental Technology LLC
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
(Formerly known as "Dominion Plantations Limited")

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

Hyflux Ltd
Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949

Company reg. no.: 200002722Z