Hyflux®

ANNUAL REPORT 2016

SUSTAINABLE SOLUTIONS THAT TRANSFORM LIVES

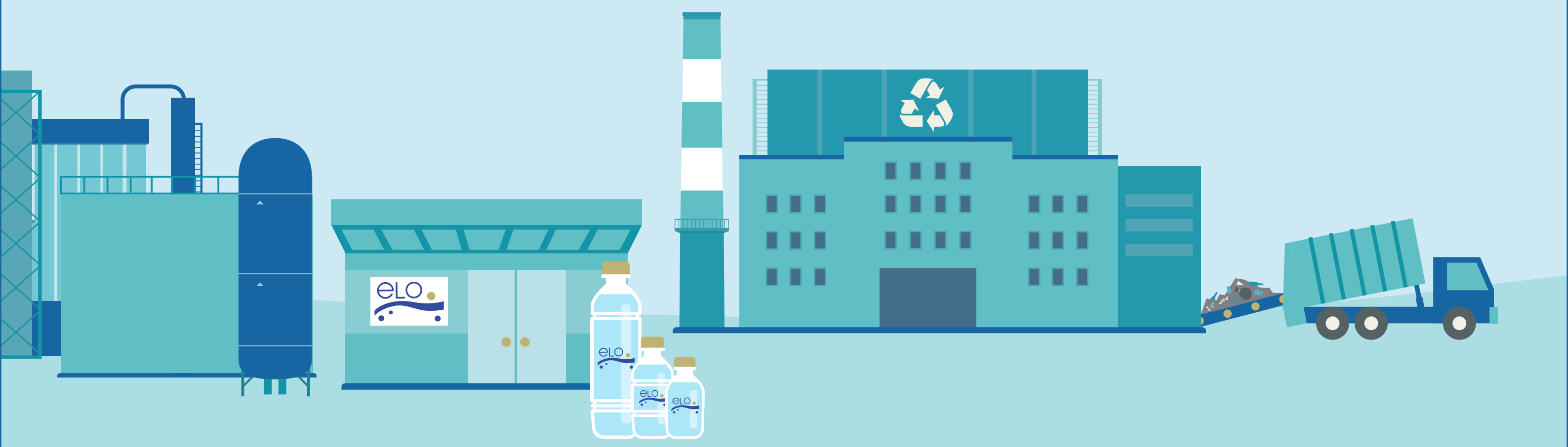
OUR VISION

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

OUR MISSION

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

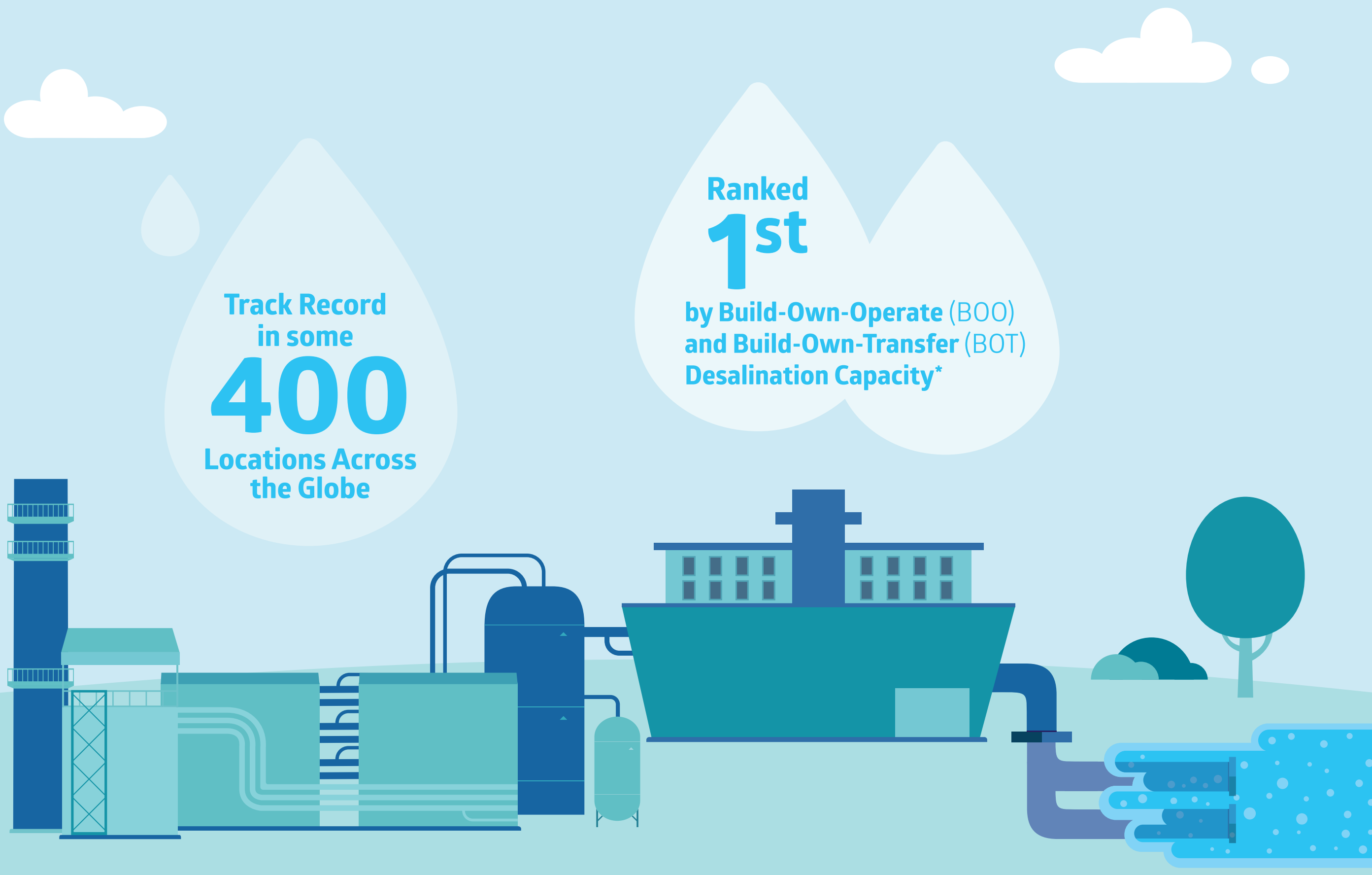
CONTENTS



SUSTAINABLE SOLUTIONS THAT TRANSFORM LIVES

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

Headquartered and listed in Singapore, the Group employs more than 2,800 employees worldwide. Hyflux's track record spans across Asia, the Middle East and Africa. It includes one of the world's largest seawater reverse osmosis desalination plants in Algeria and Asia's first Integrated Water and Power Plant in Singapore.



* Source: Global Water Intelligence

GROUP FINANCIAL HIGHLIGHTS

KEY FINANCIAL DATA

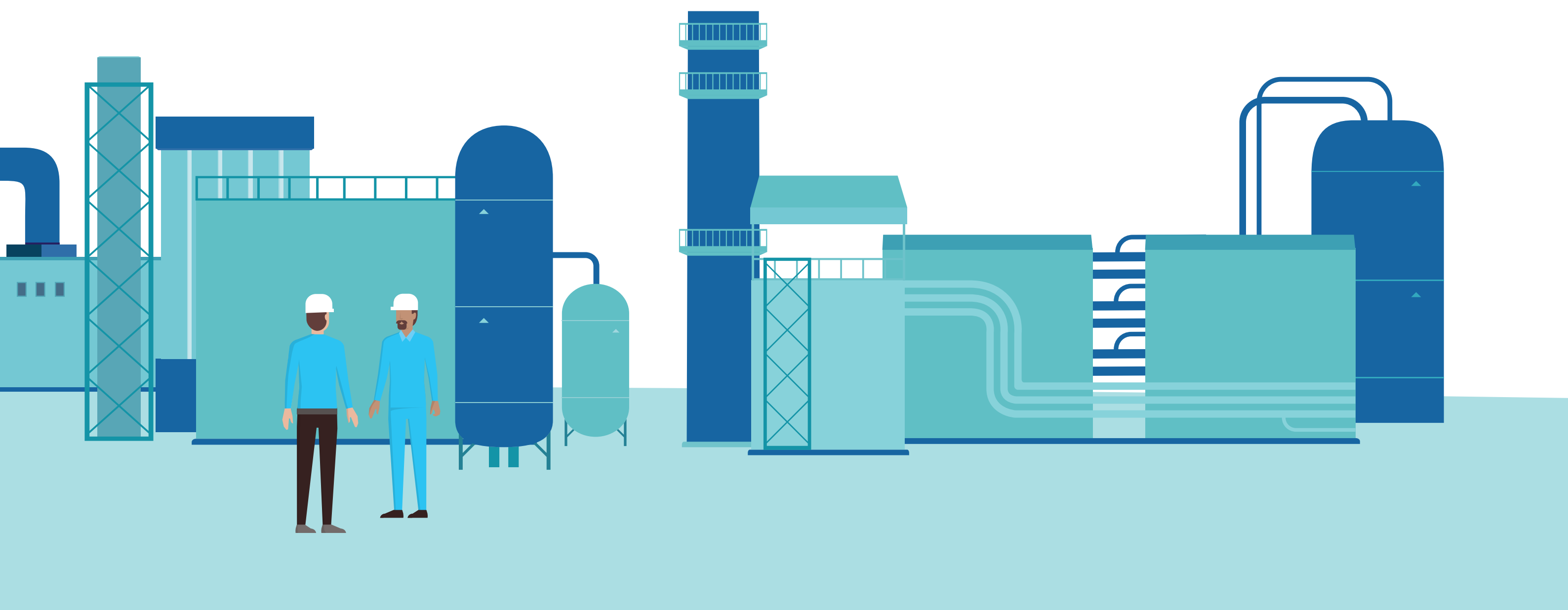
For year ended 31 December

(S$'000)	2012	2013	2014	2015 (1)	2016
Revenue	654,766	535,790	321,394	445,241	986,978
Profit before tax	76,168	51,623	53,060	49,954	1,734
Profit after tax	64,713	42,896	58,813	56,649	10,537
Profit attributable to shareholders	60,994	44,026	57,469	52,450	4,762
Shareholders' equity (2)	860,593	882,574	1,337,181	1,298,645	1,527,689
Total assets	2,189,704	2,396,505	2,741,715	3,036,532	3,843,333
Net assets	877,029	886,292	1,341,988	1,312,028	1,549,015
Net asset value per share (cents)	55.81	58.35	56.57	55.65	45.08
Earnings/(Loss) per share (cents) (3)	4.43	2.42	1.66	0.35	(7.51)
Dividend per share (cents)	3.20	2.30	2.30	1.70	0.45
Return on revenue (%)	9.3	8.2	17.9	11.8	0.5
Return on equity (%) (2)	7.1	5.0	4.3	4.0	0.3

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

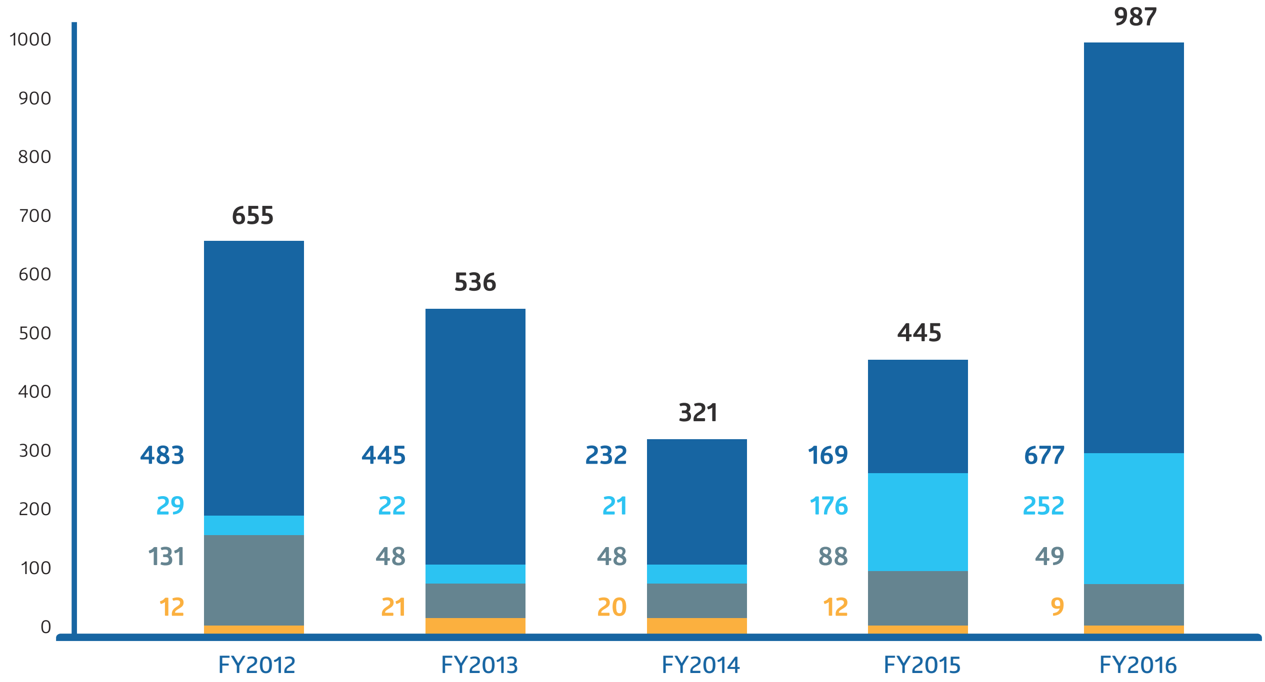
(2) Equity included the 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares (CPS) and perpetual capital securities. Excluding CPS and perpetual capital securities, FY2016 shareholders' equity was S$350 million.

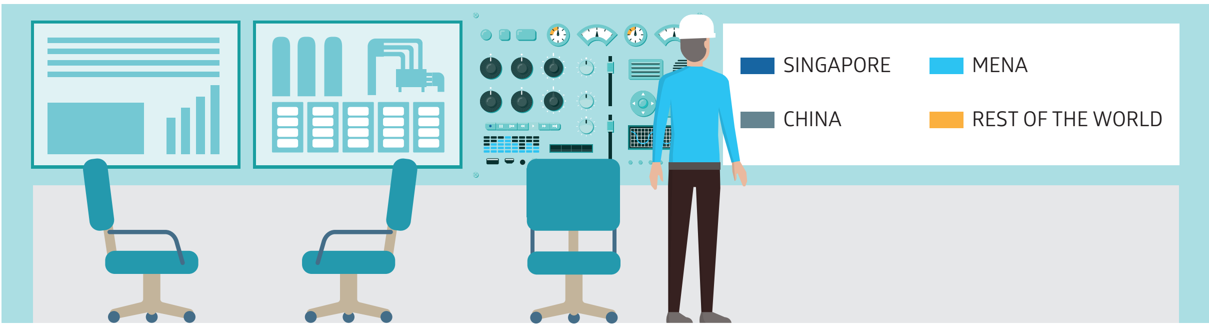
(3) Adjusted for the effect of CPS of S$400 million. FY2014 to FY2016 were also adjusted for the effects of perpetual capital securities. Please refer to note 27 of the financial statements for the effects of CPS and perpetual capital securities on the computations of earnings/(loss) per share; and profit attributable to ordinary shareholders.

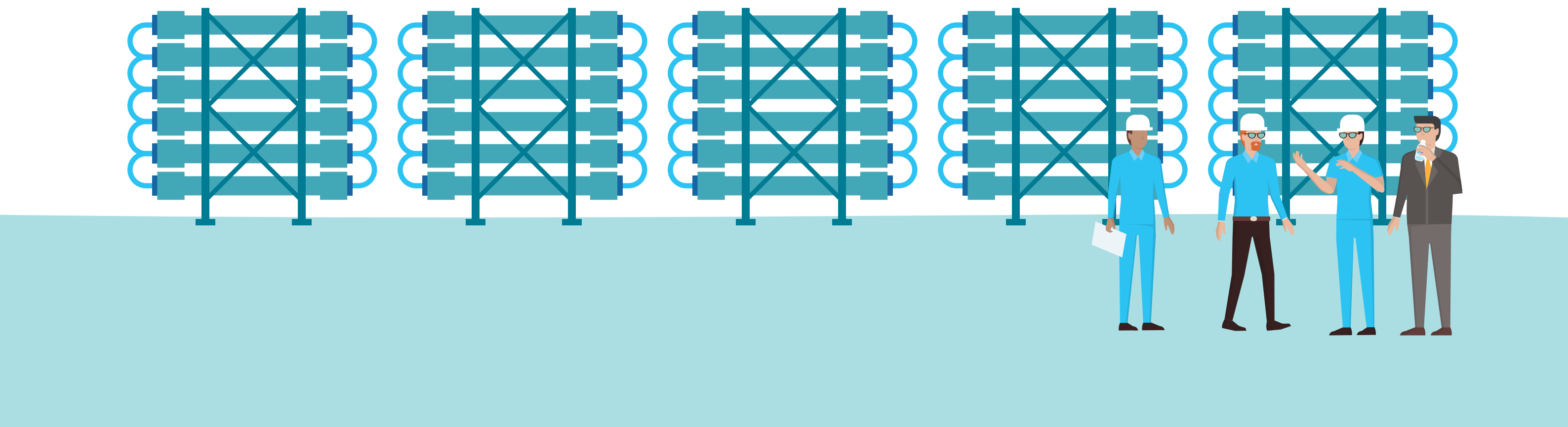


GROUP REVENUE BY COUNTRY / REGION

S$ million







MESSAGE FROM EXECUTIVE CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

2016 was a year of uncertainty with sustained low oil prices, subdued global growth and unexpected events such as Brexit and the outcome of the US Presidential Election. The changing landscape posed challenges for the global economy with ramifications on infrastructure investments in major regions. As a Group, we focused on strong execution of our projects, active pursuit of opportunities in our key markets and nurturing our new exciting ELO Water business.

We achieved a record revenue of S$987.0 million in 2016, more than double revenue of S$445.2 million for 2015, contributed mainly by the Qurayyat Independent Water Project (IWP) in the Sultanate of Oman and the TuasOne Waste-to-Energy (WTE) project in Singapore. The profits generated from the higher level of engineering, procurement and construction (EPC) activities for these projects were largely wiped out by losses arising from the weak Singapore power market, resulting in profit after tax and minority interests (PATMI) of S$4.8 million in 2016, down 91% from S$52.5 million in 2015. Excluding losses from the Tuaspring plant, PATMI for 2016 would have been S$118 million.

STRENGTHENING THE WATER BUSINESS

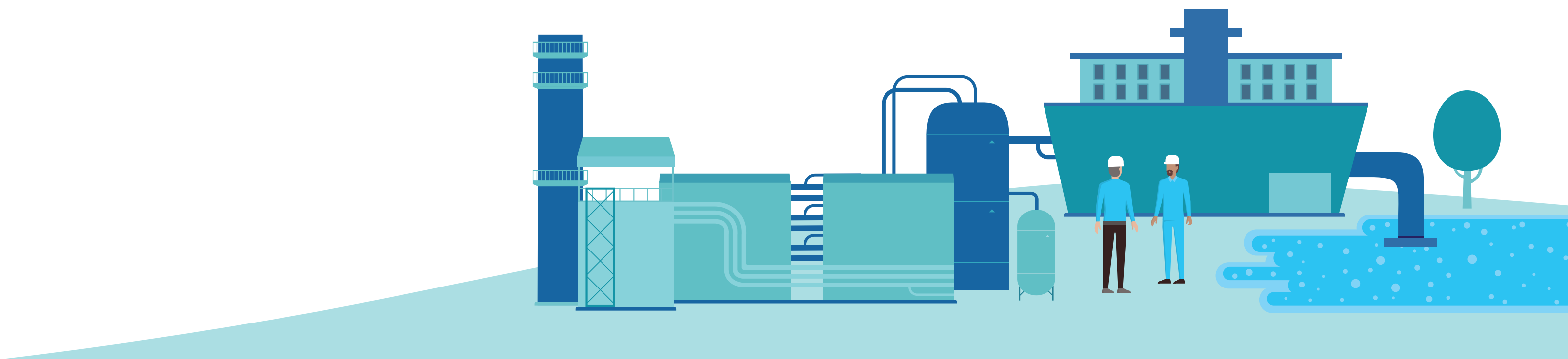
Our vision has always been to make clean water accessible and affordable to all. Water is our core business and we will capitalise on our strength in water treatment solutions to increase our market leadership of the membrane-based seawater desalination market. Hyflux has made significant progress over the years and was ranked as the largest desalination plant developer by awarded capacity in 2016 by independent publication Global Water Intelligence.

As the world's largest market for desalination, the Middle East North Africa (MENA) region is a strategic priority for us. We have been strengthening our track record in the region, ensuring timely project completion and participating actively in new project tenders. However, parts of the MENA region have been plagued by prolonged political uncertainty since the 2011 Arab Spring, exacerbated by economic challenges due to sustained low oil prices. This has created an uncertain climate for infrastructure projects which require long-term financial commitment and a stable regulatory regime.

Despite the challenging environment, we gained good traction in the MENA region. In February 2017, we received a letter of award from the state-owned Saline Water Conversion Corporation to design and build three seawater reverse osmosis desalination plants valued at US$180 million (S$258 million) in Duba, Wajh and Haql, located along the Red Sea coast in the Kingdom of Saudi Arabia. We are also negotiating the contract for the US$500 million Ain Sokhna Integrated Water and Power Project (IWPP), marking our first project in Egypt and our first overseas IWPP. In December 2016, we substantially completed a containerised desalination solution to augment the capacity of the existing Yanbu Desalination Plant in Saudi Arabia. Going forward, we expect to commission the Qurayyat IWP in the Sultanate of Oman in May 2017.

MoU signing with NEWRI to collaborate on research in biomimetic membranes.

We expect 2017 to be another challenging year, with strong competition for the limited number of bankable projects up for tender. Nevertheless, we remain confident given our ability to offer integrated services across the water value chain and our focus on delivering value to clients through innovation and strong execution. In February 2017, we signed a Memorandum of Understanding (MoU) with the Nanyang Environment and Water Research Institute (NEWRI) to collaborate on research in biomimetic membranes. An emerging membrane



MESSAGE FROM EXECUTIVE CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER

technology, biomimetic membranes hold considerable promise as a low-energy alternative to conventional membrane processes. Through research and development in such cutting-edge solutions, we aim to make every new plant we build more efficient, cost-effective and sustainable than our previous plants.

Through research and development in cutting-edge solutions, we aim to make every new plant we build more efficient, cost-effective and sustainable than our previous plants.

POSITIONING FOR THE LONG-TERM

As we look forward to our next phase of development, we have made strategic moves into adjacent business areas and deepened our existing capabilities. Internally, we seek to drive efficiency in our processes to stay competitive and thrive regardless of the ups and downs of the economic cycle.

Entering the power generation and waste-to-energy markets enables Hyflux to ride the increasing demand from municipalities for energy-efficient and sustainable waste management solutions. They represent an organic expansion of our capabilities, as we can leverage on our existing know-how in managing the commercial, financial and legal aspects of large-scale infrastructure projects. We entered the power generation space through the Tuaspring IWPP in Singapore, with the power plant beginning official operations in March 2016. Construction of the TuasOne WTE project in Singapore is also underway, slated for completion in 2019. These projects in our home market of Singapore build our track record and expand the scope of solutions we can offer to municipalities worldwide.

Globally, there has been a renewed push towards Public-Private-Partnerships (PPP) to tap into private funding for the development of infrastructure projects. In December 2016, Saudi Arabia announced plans to deploy private capital at every stage of the water and wastewater value chain to meet its US$53 billion investment requirement over the next five years. With extensive experience in project financing, Hyflux is well-placed to meet the demands of this shift. In 2016, we achieved financial close for the project financing of the Qurayyat IWP and the TuasOne WTE project. For the latter project, we were awarded the prestigious Asia Pacific PPP Deal of the Year by Project Finance International in February 2017. The Ain Sokhna IWPP in Egypt will also be developed on a build, operate and transfer (BOT) structure instead of an EPC contract announced earlier.

As the speed of change in business accelerates, staying nimble is critical to achieving long-term growth and we constantly seek to improve internal efficiency. We have invested over S$30 million in robotics to fully integrate and automate our steel structure fabrication processing line at the Tuas Manufacturing Hub in Singapore. Expected to boost operational efficiency by at least 25%, the adoption of such innovative processes represents part of our continuous effort to stay competitive in today's environment.

Fully-automated steel structure fabrication processing line at the Tuas Manufacturing Hub in Singapore.

BALANCING GROWTH OPPORTUNITIES

Striking a balance between growth and risk is critical to our viability, given the capital-intensive nature of our municipal projects. To mitigate risk, we deploy non-recourse project financing to ring-fence the Group against individual project risk.

We also adopt an asset-light strategy that allows us to make value-creating investments without taking on excessive borrowings. Our approach is to build up the value of an asset and divest it at an opportune time to recycle capital for growth. In line with this strategy, we successfully completed the divestment of our 50% stake in the Galaxy Newspring portfolio to Yunnan Water for US$136.5 million (S$190 million). We have also commenced the process to source for interest in our stake in the Tianjin Dagang Desalination Plant in China. Going forward, the Group will explore partial divestment of the Tuaspring IWPP in Singapore.

In addition to the above initiatives, the Group has been active in the capital market in Singapore. In May 2016, we successfully issued S$500 million of retail perpetual capital securities, upsizing the issuance from S$300 million in response to an overwhelming subscription. The strong demand for the securities is testament to the market's confidence in Hyflux.

As the speed of change in business accelerates, staying nimble is critical to achieving long-term growth and we constantly seek to improve internal efficiency.

MESSAGE FROM EXECUTIVE CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER

BROADENING RECURRING INCOME BASE

Another key tenet of Hyflux's overall strategy is to grow our recurring income streams. As our EPC activities are project-driven, recurring income streams help generate stable cash flow that smoothen out revenue fluctuations, increasing the long-term predictability of our business.

We currently enjoy a steady earnings stream from our Operations and Maintenance (O&M) contracts, membrane and standard system sales, as well as consumer product portfolio, which together contribute about a quarter of our overall income base. As at end-December 2016, Hyflux's O&M order book stood at about S$1.9 billion, to be recognised progressively over the service concession periods of our various projects.

In 2016, we focused on expanding the range of oxygen-rich ELO products offered to consumers. The ELO brand came about as we looked for ways that water can be used to improve personal wellness, guided by our overall vision to offer solutions that transform lives. ELO presented a suitable fit, as we are able to capitalise on our proprietary membrane technology and in-house engineering expertise to scale up the production of ELO drinking water, baths and skincare products with consistent quality and effectiveness.

In September 2016, we opened the first ELO Lab in Singapore offering ELO bath therapy treatments. A second large-scale ELO Lab facility at Belvedere Close in central Singapore is also in the works, set to open in the third quarter of 2017.

Concurrently, we are investing in clinical trials to ascertain the efficacy of ELO products as we have received numerous favorable anecdotal feedback from early adopters. In February 2017, we signed an agreement with Changi General Hospital in Singapore to conduct the first human clinical trials of ELO Water and ELO Gel on patients with diabetes. Prior to that, a preclinical trial in Australia was completed, showing positive results of ELO Water inhibiting tumour growth in mice transplanted with human prostate cancer cells. In August 2016, the Dermapro Skin Research Centre in South

We are optimistic on the potential of the ELO business and believe it can be a new growth engine for the Group.

Korea also completed a clinical study on ELO Gel, which was proven to significantly improve human skin wrinkle, colour, elasticity, hydration and radiance. We are optimistic on the potential of the ELO business and believe it can be a new growth engine for the Group.

ENGAGING OUR PEOPLE AND COMMUNITIES

Hyflux is committed to achieving business excellence while maintaining good social and environmental performance. We believe that to deliver sustainable long-term returns, it is fundamental that we focus on developing our people and making a positive impact on our community.

Our people are our priority. Hyflux's growth and accomplishments over the years have been possible because of our people's efforts. We work to create an environment that maximises their potential by developing internal pathways for them to improve their skills. Every year, we organise a suite of in-house training courses with topics ranging from personal effectiveness to technical subject matters, enabling each employee to tailor their own training programme according to their learning development needs.

On the community front, Hyflux contributed towards various programmes in Singapore. In partnership with the Singapore Red Cross Society, we organised blood donation drives at our corporate headquarters. During the festive seasons, we also conducted donation drives for beneficiaries such as the Canossaville Children's Home and Lions Befrienders. In the spirit of volunteerism, our staff organised and engaged in interactive activities with the patients at the HCA Day Hospice Centre and HCA Kang Le Day Care Centre.

Leveraging our technical expertise in water filtration technologies, Hyflux also supported Wildlife Reserves Singapore (WRS) in their Go Green For Wildlife campaign. We developed and installed customised potable water dispensers at the Singapore Zoo to encourage park guests to use refillable bottles. Aimed at reducing the generation of plastic waste from single-use bottles, this initiative will be implemented across all parks under WRS.

THANK YOU

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

To thank our shareholders, the Board has proposed a final dividend of 0.25 Singapore cents per ordinary share. Together with the interim cash dividend of 0.20 Singapore cents per ordinary share paid in September 2016, this brings the total dividend in 2016 to 0.45 Singapore cents per ordinary share.

2017 will continue to be challenging but we remain confident of the market outlook and the industry's long-term potential. We have set in motion key business development strategies that will help us ride through the changing market landscape. We thank you for supporting us and together, I believe we will propel Hyflux forward into the new era as a strong, sustainable and meaningful business.

OLIVIA LUM
Executive Chairman &
Group Chief Executive Officer

BOARD OF DIRECTORS

OLIVIA LUM

Executive Chairman & Group Chief Executive Officer

First appointment: 31 Mar 2000

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

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

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

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

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

TEO KIANG KOK

Lead Independent Director

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

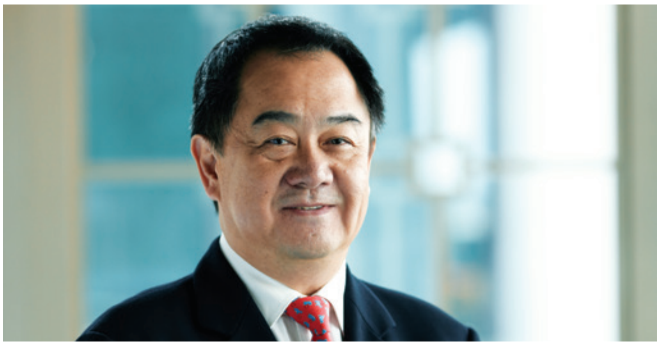
Mr Teo is the Lead Independent Director and chairs all Board meetings. He heads the Board's Nominating Committee and is a member of the Audit, Remuneration and Risk Management Committees.

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

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

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

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



GAY CHEE CHEONG

Non-Executive Independent Director

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

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

Mr Gay is a Board Governor of Temasek Polytechnic, a member of the National University of Singapore Entrepreneurship Committee and a Trustee of the United World College of South East Asia Foundation. He sits on the Board of Heliconia Capital Management Pte Ltd, CapitaMall Trust Management Ltd and is a Global Advisory Board member at Six Capital Pte Ltd.

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

LEE JOO HAI

Non-Executive Independent Director

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

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

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

Mr Lee is currently a director of Raffles United Holdings Ltd, Agria Corporation, IPC Corporation Limited, Lung Kee (Bermuda) Holdings Ltd and SinoCloud Group Limited.

BOARD OF DIRECTORS

CHRISTOPHER MURUGASU

Non-Executive Independent Director

First appointment: 1 Feb 2005
Last reappointment: 24 Apr 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.

LAU WING TAT

Non-Executive Independent Director

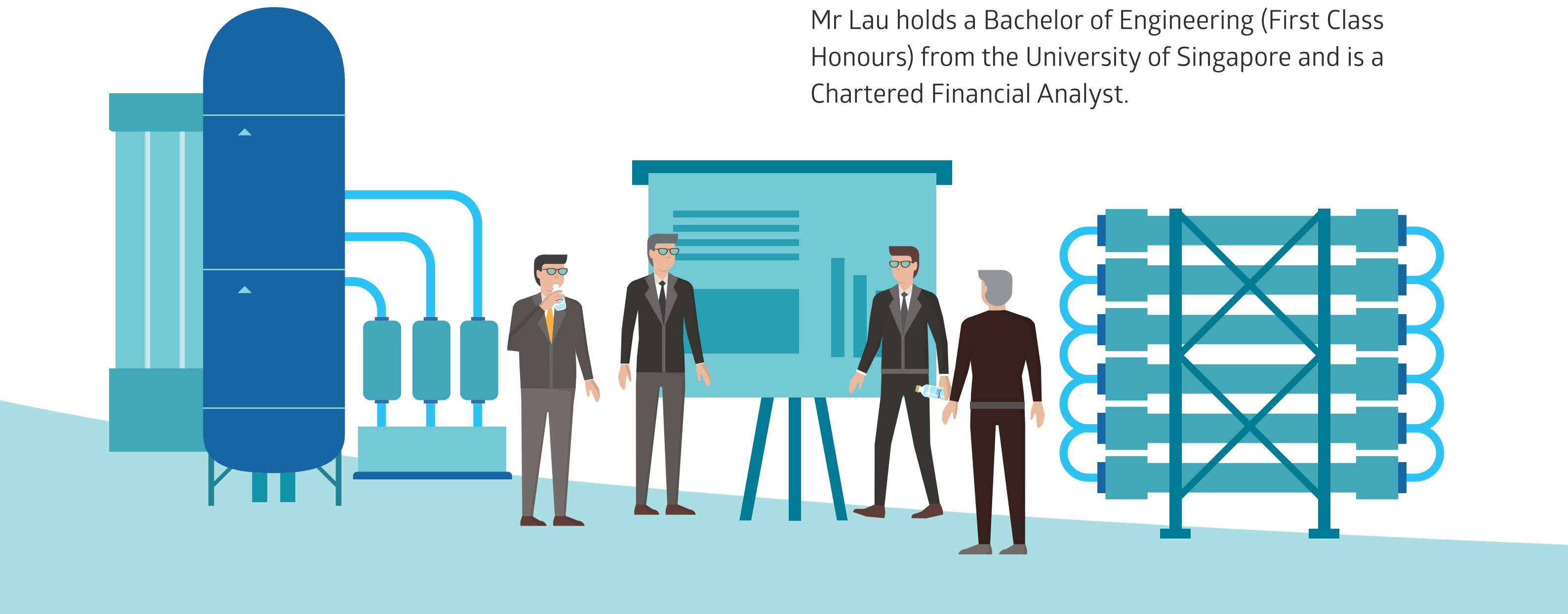
First appointment: 1 Jul 2014
Last reappointment: 29 Apr 2015

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

First appointment: 3 May 2011
Last reappointment: 29 Apr 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 Master of Business Administration from the University of Texas at Arlington in the USA.

SIMON TAY

Non-Executive Independent Director

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

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

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

Mr Tay is a Senior Consultant at WongPartnership, a leading Asian law firm. He is a Global Advisor to the Mitsubishi United Financial Group and an Independent Director on private boards for LGT Bank of Liechtenstein, Far East Organization and Eurex Asia, part of the Deutsche Börse Group. Mr. Tay is also an Independent Director of Top Glove Corporation Bhd, a Bursa Malaysia listed company with a secondary listing on SGX.

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

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

KEY MANAGEMENT COMMITTEE

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

OLIVIA LUM

EXECUTIVE CHAIRMAN &
GROUP CHIEF EXECUTIVE OFFICER

LIM SUAT WAH

GROUP EXECUTIVE VICE PRESIDENT &
GROUP CHIEF FINANCIAL OFFICER

WONG LUP WAI

GROUP EXECUTIVE VICE PRESIDENT &
GROUP CHIEF OPERATING OFFICER

CHEONG AIK HOCK

GROUP EXECUTIVE VICE PRESIDENT

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

STUART MCWILLIAMS
GROUP SENIOR MD, OPERATIONS & MAINTENANCE

DEREK ONG
GROUP SENIOR MD, MANUFACTURING

ADRIAN CHONG
GROUP SENIOR VP, COMMERCIAL CONTRACTS & PURCHASING

NAH TIEN LIANG
GROUP SENIOR VP, INVESTMENT

JEREMY TAN
GROUP SENIOR VP, HUMAN RESOURCES

PANG YEONG PIAO
GROUP SENIOR VP, LEGAL

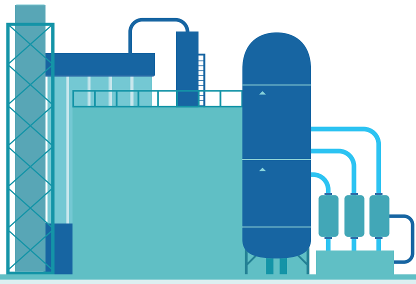
MARK DAVIES
SENIOR DIRECTOR, ENGINEERING, PROCUREMENT & CONSTRUCTION

YOONG KANG CHEE
GROUP MD, CHINA

ZECH LUNG
GROUP VP, PURCHASING

GEOGRAPHICAL PRESENCE

LANDMARK PROJECTS



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

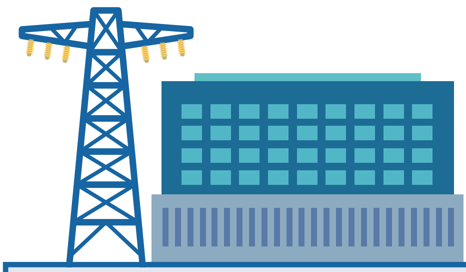
Souk Tleta Desalination Plant, Algeria
Capacity: 200,000 m³/day

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

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

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

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



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

Ain Sokhna Integrated Water and Power Project, Egypt*
Capacity: 150,000 m³/day and 457 MW

*Projects under development

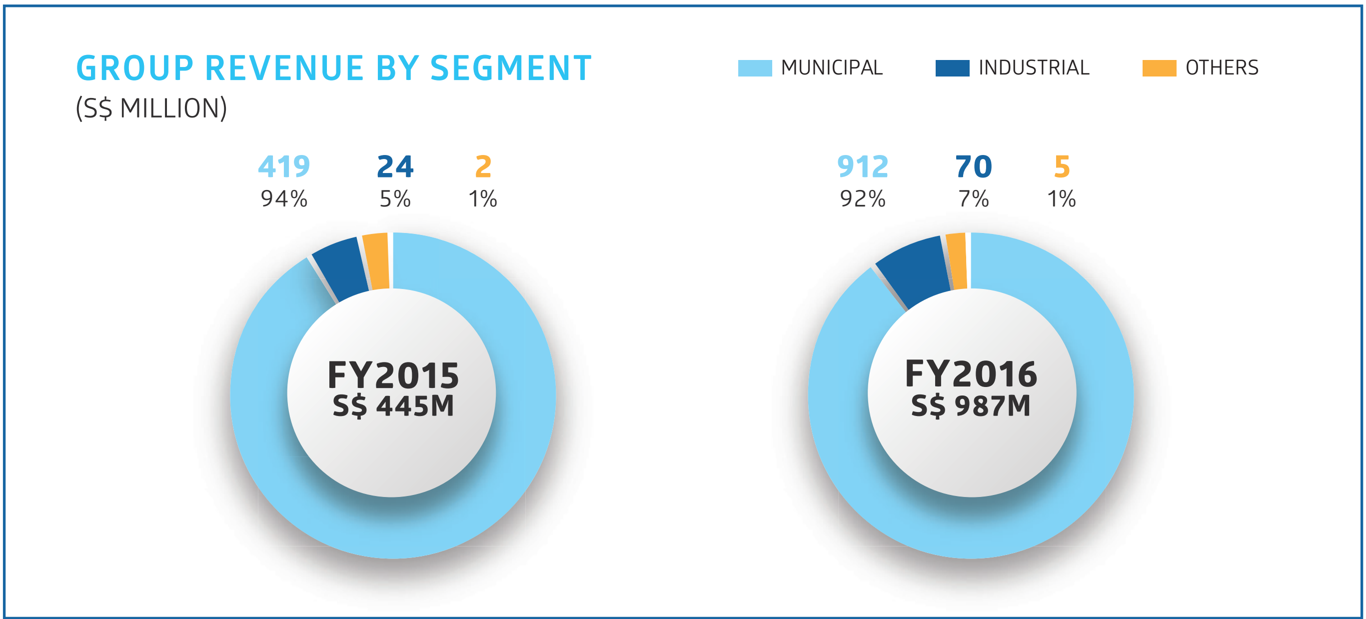

China
Saudi Arabia
Oman
India
Algeria
Nigeria
Singapore
Our Offices
Desalination Plants
Waste-to-Energy Plants
Water and Power Plants
Membrane Installations

FINANCIAL REVIEW

For year ended 31 December

(S$ million)	2015	2016	% change
Revenue	445.2	987.0	>100
Profit before tax	50.0	1.7	(97)
Profit attributable to shareholders	52.5	4.8	(91)
Earnings/(Loss) per share (cents)	0.35	(7.51)	NM

NM: Not meaningful

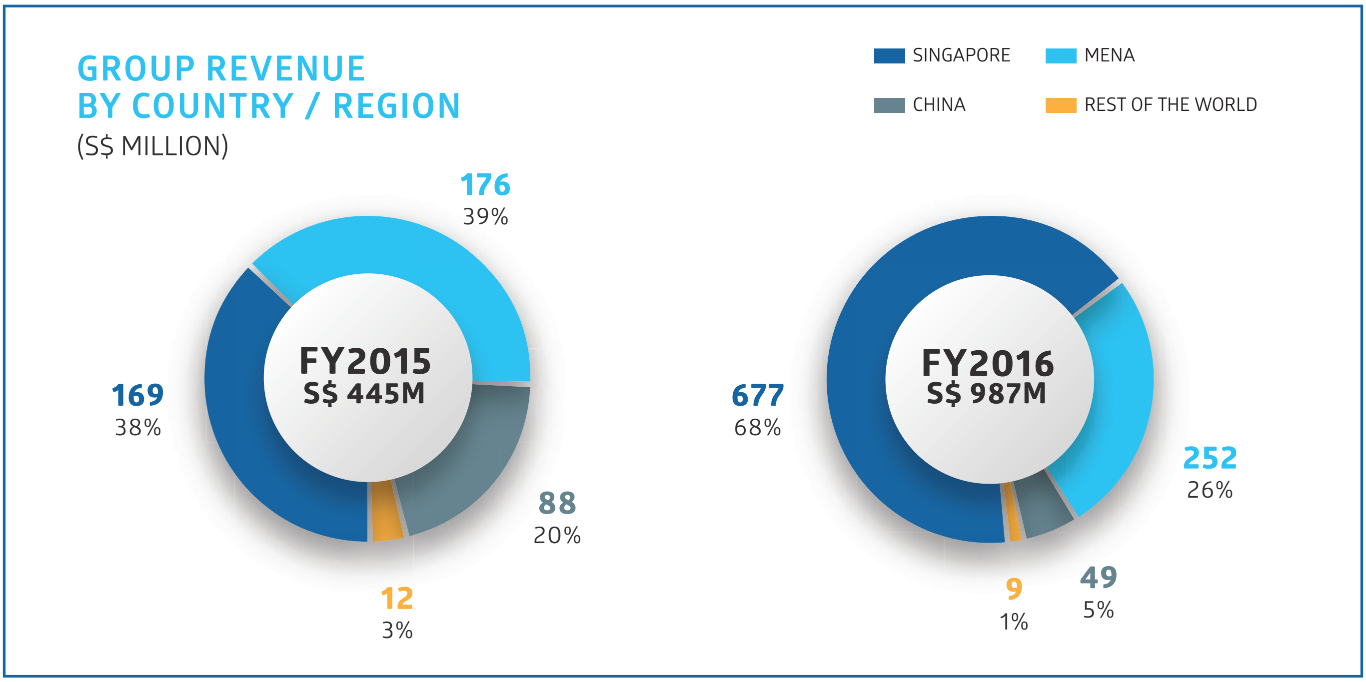


OVERVIEW

Hyflux as a Group achieved a record revenue of S$987.0 million in 2016, more than double the 2015 revenue of S$445.2 million. The higher revenue was mainly contributed by the TuasOne Waste-to-Energy (WTE) project in Singapore and Qurayyat Independent Water Project (IWP) in the Sultanate of Oman. Profits from the higher level of engineering, procurement and construction (EPC) activities for these two projects were largely wiped out by losses arising from the weak Singapore power market and electricity prices, resulting in profit attributable to the shareholders (PATMI) of S$4.8 million for the full year ended 31 December 2016, a decline of 91% versus the prior year. Excluding losses from the Tuaspring plant, 2016 PATMI would have been S$118 million.

On the gross profits front, Hyflux saw an increase of 17% to S$257.6 million in 2016 from S$221.0 million in 2015. Basic loss per share, adjusted for dividends on perpetual preference shares and perpetual capital securities, was 7.51 cents for 2016.

In accordance with the Singapore Financial Reporting Standards, 2015 PATMI was restated from S$41.3 million to S$52.5 million, reflecting a S$11.2 million upward revision to the provisional fair value initially recorded for the acquisition of Tianjin Dagang Desalination Plant, upon completion of the independent fair value assessment in 2016. In 2015, the Group had stepped up its interest in the Tianjin Dagang plant from 50% to 100%.



Hyflux reported the following key corporate and financing activities in its 2016 financial statements:

- In January 2016, Hyflux updated its S$800 million Multicurrency Debt Issuance Programme (Programme) to include the issuance of perpetual capital securities under the Programme and increase the Programme limit from S$800 million to S$1.5 billion. This Programme was originally established with a programme limit of S$300 million on 3 July 2008, and subsequently updated on 13 July 2011 with an increase of the programme limit to S$800 million.

- In April 2016, Hyflux completed the refinancing of its existing US$200 million multicurrency revolving credit facility which was due for repayment in July 2016. The new five-year facility is for a total amount of US$224 million.

- In May 2016, Hyflux issued S$500 million in aggregate principal amount of 6% perpetual capital securities. Net proceeds were used for general corporate purposes, including the repayment and refinancing of existing borrowings, redemptions of outstanding perpetual capital securities, working capital and capital expenditures.

- In May 2016, the Group achieved the financial close for a S$653 million long-term project financing loan facility for the development of the TuasOne WTE project. Separately, the financial close for a US$185 million long-term project financing loan facility for the development of Qurayyat IWP was achieved in June 2016.

- In August 2016, the Group completed the sale of Hyflux NewSpring (Nantong) WWT Co., Ltd (Nantong WWTP SPC) to Jiangsu Yangkou Port Holding Co., Ltd (江苏洋口港股份有限公司), which was presented as held for sale as at 31 December 2015.

- In October 2016, the Group entered into a Sale and Purchase Agreement (SPA) with Yunnan Water (Hong Kong) Company Limited for the divestment of its 50% equity interest in Galaxy NewSpring Pte. Ltd. (Galaxy) for a total cash consideration of US$136.5 million. Galaxy was presented as held for sale as at 31 December 2015. The sale was completed on 15 March 2017.

In line with the Group's asset light strategy, Hyflux commenced the process to source for interest in its stake in the Tianjin Dagang desalination plant portfolio in China. Accordingly, identified assets and liabilities of the Tianjin Dagang portfolio were classified as held for sale as at 31 December 2016. Going forward, the Group will also explore partial divestment of the Tuaspring plant in Singapore.

FINANCIAL REVIEW

REVENUE

Municipal sector continued to be the main contributor to Hyflux's revenue in 2016, accounting for 92% or S$912.4 million of the total revenue. For 2015, the municipal sector contributed 94% or S$419.1 million to the Group's revenue. Hyflux's municipal projects are in Asia, Middle East and Africa. Revenue from the industrial sector made up 7% or S$69.5 million of Hyflux's revenue in 2016, an increase from 5% or S$24.1 million in 2015.

Singapore and Middle East & North Africa (MENA) continued to be the Group's key markets in 2016. Hyflux recorded Singapore revenue of S$676.8 million, 68% of total revenue in 2016, driven mainly by the TuasOne WTE project. With the substantial completion of the Tuaspring plant construction in 2015, Singapore contributed S$168.9 million or 38% of the total revenue in 2015.

Revenue from MENA was 26% of the Group's revenue or S$252.5 million in 2016, contributed mainly by the construction of the Qurayyat IWP. In 2015, revenue was at 39% of the Group's revenue or S$176.0 million, from the Qurayyat IWP and the containerised desalination system project in Saudi Arabia.

Hyflux's China market made up 5% or S$48.8 million of the total revenue in 2016. In 2015, it was at 20% of the Group's revenue or S$88.1 million, mainly from water assets divestments. Rest of the World accounted for 1% or S$8.9 million and 3% or S$12.2 million to the total revenue in 2016 and 2015 respectively.

OTHER INCOME, COSTS AND EXPENSES

Other Income decreased by 47% from S$83.8 million (restated) in 2015 to S$44.1 million in 2016. Higher Other Income was recognised in 2015 from the non-recurring disposal gain of S$15.8 million on the Group's leasehold building in China, S$5.5 million gain on acquisition of subsidiaries, as well as the provisional fair value gain of S$23.4 million for the acquisition of additional 50% interest in Tianjin Dagang portfolio from the existing 50% to 100%. In 2016, Other Income comprised mainly incentives income recognised by Hyflux for its role as market-making participant in the Singapore Electricity Futures Market.

Higher direct costs as well as staff costs in 2016 were mainly driven by EPC activities of the TuasOne WTE project and the Qurayyat IWP. Fuel costs incurred for the generation of electricity by the Tuaspring power plant also contributed to higher direct costs in 2016. Depreciation, amortisation and impairment increased from S$22.2 million to S$61.6 million due to the amortisation of the Tuaspring power plant since March 2016. Hyflux saw an increase of finance costs to S$62.4 million in 2016 from S$42.8 million in 2015 mainly for the increased financing following the progress of the Group's projects. Other expenses decreased from S$105.0 million in 2015 to S$89.2 million in 2016 primarily due to lower electricity costs and exchange losses.

Lower share of losses of associates and joint ventures in 2016 compared to 2015 was due to lower losses contributed by joint ventures.

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

BALANCE SHEET REVIEW

Shareholders' equity increased from S$1.3 billion as at 31 December 2015 to S$1.5 billion as at 31 December 2016. Main movements in shareholders' equity included the additional perpetual capital securities of S$500.0 million at 6.0% issued in May 2016, which was offset by dividends for the year, higher hedging reserve losses relating to the interest rate swaps on the Group's floating rate loans, as well as the full redemption of perpetual capital securities of S$175.0 million at 4.8%.

In addition to the Tianjin Dagang portfolio that was classified as held for sale as at 31 December 2016, other held for sale assets included the Group's 50% joint venture, Galaxy and a wholly-owned plant, Hyflux NewSpring (Wuhu) Co., Ltd (Wuhu SPC). The completion of the Wuhu SPC sale is currently pending regulatory approval by the Chinese authorities. The sale of Galaxy was completed on 15 March 2017 and the Group had received the remaining cash proceeds of US$126.5 million, net of US$10.0 million deposit collected upon signing of SPA.

The sale of Nantong WWTP SPC, another water plant held for sale as at 31 December 2015, was completed in August 2016. Hyflux expects to receive the remaining proceeds of approximately S$7.2 million over the next one to two years after completion, in accordance with the agreement.

In addition to the held for sale portfolios, increase in current assets was contributed by a US$56.1 million short-term loan extended to a subsidiary of Galaxy as at 31 December 2016 which is repayable upon completion of the divestment of Galaxy. Hyflux received the repayment on 15 March 2017 upon completion of the Galaxy sale.

Increase in the non-current assets was mainly due to increased financial receivables from the TuasOne WTE project and the Qurayyat IWP, capital injection of S$33.0 million into PT Oasis Waters International (PT Oasis), a 50%-owned joint venture, additional injection of S$9.3 million into Tus Water Group, a 25%-owned associate; as well as recognition of deferred tax assets.

Increase in current liabilities was mainly due to the increase in trade and other payables relating to the projects under construction. The increase was partially offset by reclassification of corporate borrowings from short-term to long-term upon completion of the multicurrency revolving credit facility, and repayment of bank borrowings. The reclassification of corporate borrowings resulted in a corresponding increase in non-current liabilities. Increase in non-current liabilities was also contributed by long-term secured project finance loans relating to the TuasOne WTE project and the Qurayyat IWP.

CASH FLOWS

Hyflux's overall cash balance increased from S$313.7 million as at 31 December 2015 to S$321.8 million as at 31 December 2016.

In 2016, net cash of S$272.0 million was used in operating activities, mainly towards investments in projects with service concession arrangements. Excluding cash used in these projects, net cash inflow from the operating activities was S$414.6 million.

Cash used in investing activities of S$146.1 million in 2016 was mainly for an injection into PT Oasis, a 50%-owned joint venture, a US$56.1 million short-term loan extended to a subsidiary of Galaxy which was received on 15 March 2017, as well as capital expenditures.

Net cash inflow from financing activities was mainly proceeds from borrowings to finance projects and the issuance of the S$500.0 million 6.0% perpetual capital securities. These inflows were offset by the full redemption of the S$175.0 million 4.8% perpetual capital securities, repayment of borrowings including the fixed-rate medium term unsecured notes of S$155.0 million, payments of dividends and interest during the year.

OPERATING REVIEW

Qurayyat IWP, Oman

ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC)

STRENGTHENING TRACK RECORD IN THE MIDDLE EAST

Hyflux made good headway into the Middle East in 2016 with projects in Saudi Arabia, Egypt and the Sultanate of Oman. Faced with one of the highest water risk levels around the world, the Middle East is a key market for Hyflux and the Group is focused on building a pipeline of projects in the region.

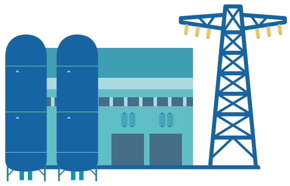
In the Kingdom of Saudi Arabia, the Saline Water Conversion Corporation (SWCC) awarded Hyflux the contract to design and build three seawater reverse osmosis desalination plants situated along the Red Sea coast in Duba, Wajh and Haql in February 2017. Valued at a combined estimate of US$180 million (S$258 million), each plant will have the capacity to produce 16,000 m^3 of water per day. The project win comes on the back of the Group's successful undertaking of the US$48 million SWCC project in 2016 to augment the capacity of the Yanbu Desalination Plant. Within a year of the project's award, Hyflux delivered a containerised desalination solution increasing the plant's capacity by 30,000 m^3 of water per day, proving its ability to efficiently deliver cost-effective and customised solutions. The Group has also begun working on another US$50.4 million (S$71 million) project to supply a seawater reverse osmosis and sulphate removal facilities package in Khurais for Snamprogetti Saudi Arabia, a subsidiary of Saipem.

In Egypt, Hyflux won the Ain Sokhna Integrated Water and Power Project (IWPP). An important milestone, this project is Hyflux's first in Egypt and also its first overseas IWPP. The General Authority for the Suez Canal Economic Zone awarded the US$500 million project to Hyflux in April 2016 and it will be developed on a build-operate-transfer basis. The Ain Sokhna IWPP will incorporate a desalination plant and a combined cycle gas turbine power plant on a single site, with the capacity to produce 150,000 m^3 of water per day and generate 457 MW of electricity.

In Oman, EPC works on the US$250 million Qurayyat Independent Water Project (IWP) have been substantially completed and the plant is undergoing testing and commissioning. Slated to begin commercial operations in May 2017, it will be Hyflux's second project in the country and the first plant it owns and operates. With a capacity to produce 200,000 m^3 of drinking water per day, desalinated water from this plant will be supplied to the Oman Power and Water Procurement Company for a 20-year period from 2017 to 2037.

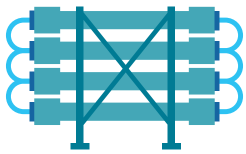
KEY PROJECTS

S$750M
TuasOne WTE
Singapore



US$500M
Ain Sokhna IWPP
Egypt

US$250M
Qurayyat IWP
Oman



US$180M
Duba, Wajh, Haql SWRO
Desalination Plants
Saudi Arabia

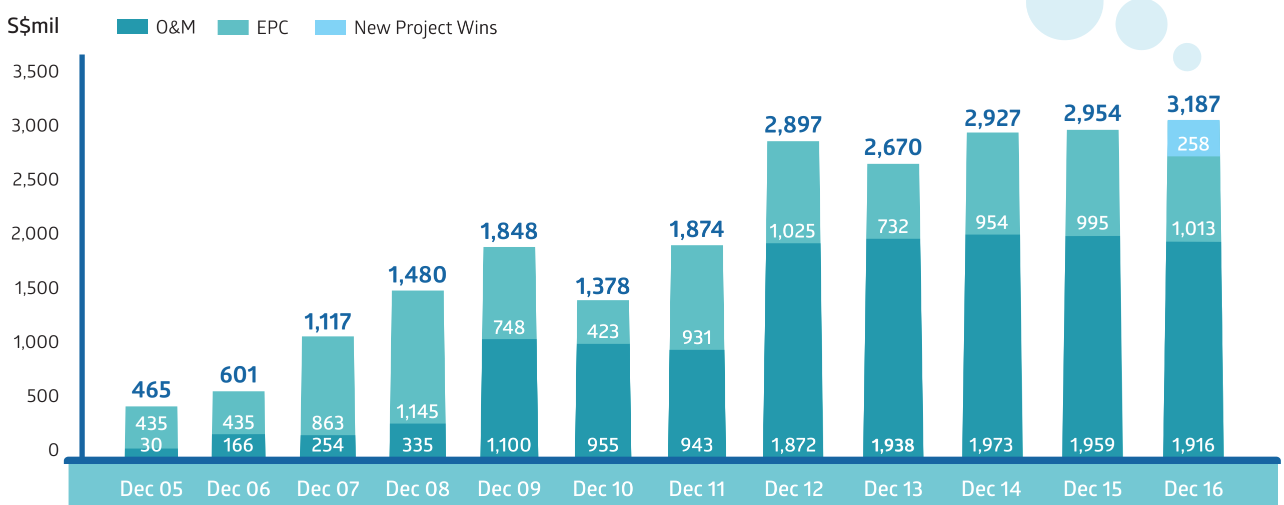
OFFERING AN INTEGRATED SUITE OF ENVIRONMENTAL SOLUTIONS

Hyflux has been expanding its expertise beyond water to include other utilities such as power generation and waste-to-energy (WTE). As municipalities increasingly seek integrated solutions to manage essential resources like water and energy, building the Group's capabilities to offer value-added solutions is crucial.

In line with this strategic focus, EPC work on Hyflux's first WTE project, the TuasOne WTE plant in Singapore, is underway. The S$750 million project was secured in September 2015 in partnership with Mitsubishi Heavy Industries (MHI). Hyflux and MHI hold a 75% and 25% stake in the project company respectively. Hyflux is the project lead and system integrator. It will undertake in-house civil, structural and architectural works, as well as installation of the entire waste incineration plant. When completed in 2019, the plant will have the capacity to process 3,600 tonnes of waste per day and generate 120 MW of electricity, making it Singapore's most land-efficient and energy-efficient WTE plant. The project will develop Hyflux's capabilities in the energy recovery from waste space, positioning it to offer sustainable waste management solutions to municipalities.

As at end-February 2017, the Group's EPC order book stood at approximately S$1.3 billion.

ORDER BOOK



1) Dec 2016 EPC Order Book includes Egypt IWPP which is pending finalisation of contracts.
2) O&M order book is a summation of future revenue of our portfolio of plants over 20-30 year concession periods.
3) New project wins include the three desalination plants in Saudi Arabia valued at US$180 million.

OPERATING REVIEW

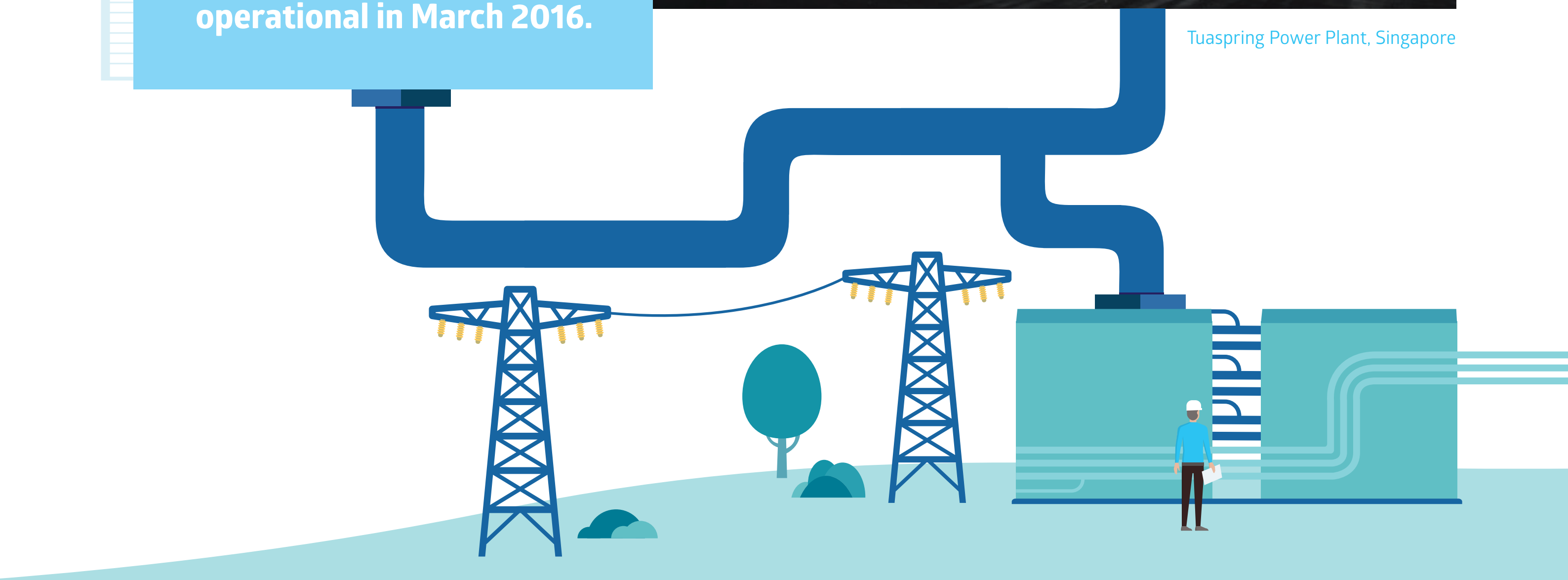
OPERATIONS & MAINTENANCE (O&M)

Hyflux operates water, wastewater, water recycling and desalination plants worldwide. It recently broadened its O&M expertise with the Tuaspring Power Plant becoming officially operational in March 2016. The Group is focused on improving the plant's operational efficiency, as persistently low electricity prices due to an oversupply are expected to continue impacting near-term profitability.

The Group's O&M order book was approximately S$1.9 billion as at end-2016. Recurring income from O&M is expected to grow with the completion of the Qurayyat IWP in 2017 and the TuasOne WTE plant in 2019.

Hyflux operates water, wastewater, water recycling and desalination plants worldwide. It recently broadened its O&M expertise with the Tuaspring Power Plant becoming officially operational in March 2016.

Tuaspring Power Plant, Singapore



INDUSTRY OUTLOOK

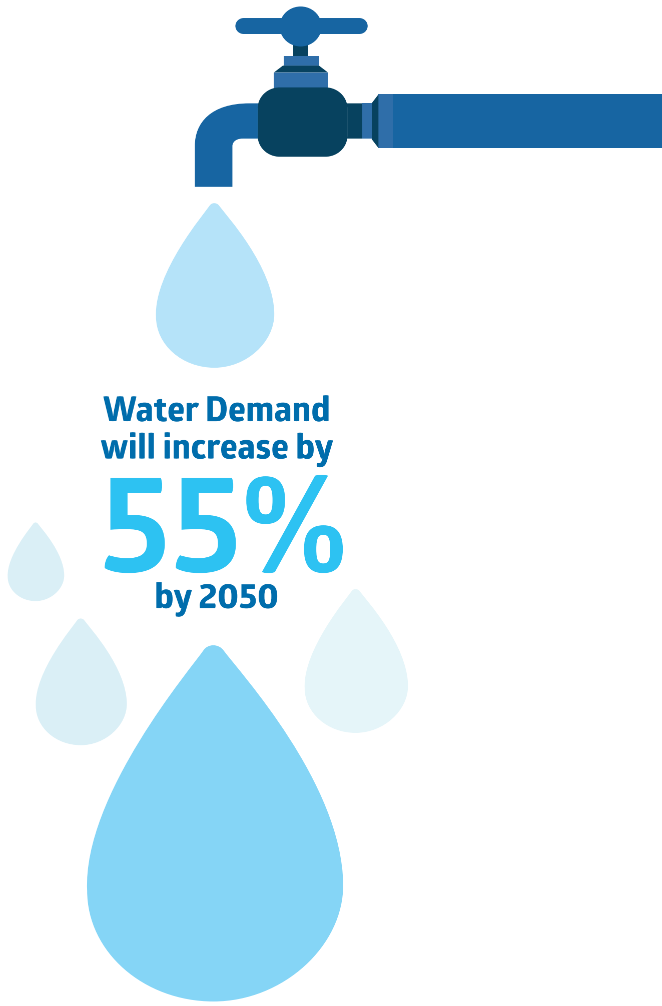
The global water market is projected to remain subdued in 2017, though some pick-up is likely with the stabilisation of oil prices. While strong competition for the limited number of viable projects on the market is expected to continue, the Group remains optimistic and maintains a positive long-term view on the industry.

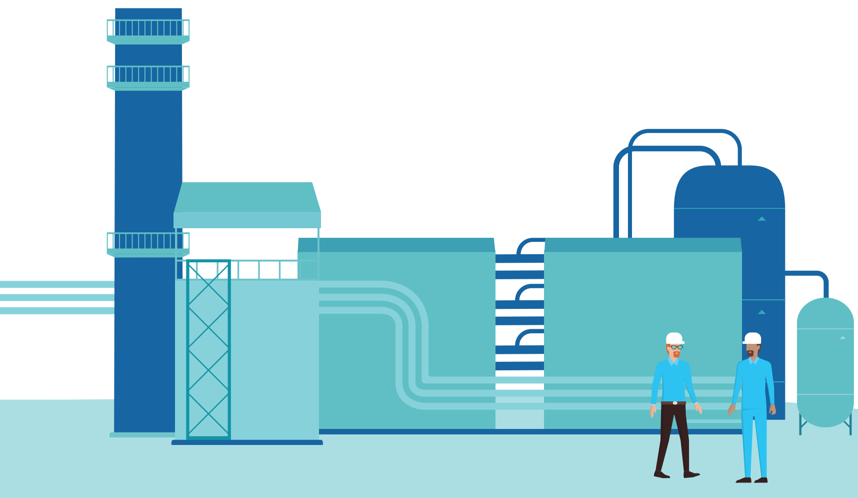
Water is a fundamental need. A clean and stable supply of water is necessary for agriculture, industrial production and life itself. The Organisation for Economic Co-operation and Development (OECD) estimates that water demand will increase by 55% by 2050, at the same time water scarcity is expected to worsen due to climate change.

Rising water demand and strained water supplies will drive water infrastructure investments. The trend towards Public-Private-Partnerships (PPP) enables governments to move away from the traditional reliance on sovereign reserves and overcome funding shortfalls to implement infrastructure development plans. Hyflux is well-positioned to offer municipalities end-to-end solutions under the PPP model, given its expertise in development, operations, project management and project financing. The Group's asset-light and capital recycling strategies also provide it with the necessary financial resources to undertake PPP projects.

Another tailwind for the overall environmental services industry comes with the adoption of the landmark Paris Agreement on Climate Change in December 2015. Raising awareness on the importance of addressing the impact of climate change, the agreement encourages both municipalities and corporations to invest in sustainable resource management. Hyflux stands ready to become an enabler in the move towards a circular economy, with its integrated suite of environmental solutions ranging from water treatment to energy recovery from waste.

Going forward, the Group will focus on expanding its capabilities and strengthening its presence in the Middle East, Africa, Americas and parts of Asia.





OPERATING REVIEW

CONSUMER BUSINESS

Hyflux made steady progress in the consumer segment in 2016. In particular, the Group is optimistic on the potential of the newly-launched ELO brand and expects it to have a more meaningful impact on earnings by 2018.

ELO Clinical Trial Agreement Signing Ceremony with Changi General Hospital in Singapore.

CREATING THE ELO EXPERIENCE

The ELO brand was officially launched in late 2015, featuring a line of oxygen-rich products comprising drinking water, baths and a skincare range promoting overall well-being.

Produced via a proprietary technology, ELO Water allows oxygen to exist in a stable and bound form that can be harnessed by the body's cells. The technology is the result of combining Hyflux's proprietary membrane technology with more than ten years of research into water science by Kaqun Europe, in which Hyflux holds a 30% stake.

Hyflux opened its first ELO Lab, an ELO bath facility, at City Square Mall in Singapore in September 2016. ELO bath is a complementary product to ELO Drinking Water, aimed at enhancing body tissue oxygen levels for wellness and good health. A second large-scale ELO Lab facility at Belvedere Close in central Singapore featuring 50 individual private bath suites is also in the works, set to open in the third quarter of 2017.

Hyflux aims to closely engage its customers to expand the line of ELO products and create an uplifting experience. Preliminary positive feedback has been received and clinical trials are underway to ascertain the benefits of drinking ELO Water for specific health conditions. In February 2017, Hyflux signed an agreement with Changi General Hospital in Singapore

ELO PRODUCT LINE

Artist's impression of ELO Lab at Belvedere Close, opening in the third quarter of 2017.

to embark on two human clinical trials studying the effectiveness of ELO products on diabetic patients. The first trial will study whether patients with diabetes can obtain better glycemic control by drinking ELO Water, while the second will assess whether diabetic foot or ankle ulcers can be treated with ELO bath and ELO Gel. The Group will commit up to S$2.5 million in cash and in kind to the study.

In 2016, the Dermapro Skin Research Centre in South Korea also completed a clinical study on the efficacy of ELO Gel. The lightweight gel product formulated with ELO Water was proven to significantly improve human skin wrinkle, colour, elasticity, hydration and radiance.

Hyflux holds the exclusive rights to manufacture, sell, and market the ELO brand in Asia-Pacific, the Middle East and Africa. In 2017, Hyflux targets to bring the premium brand to the flagship cities of China, Australia, Taiwan and Malaysia.

INDUSTRY OUTLOOK

Growing global health awareness and increasing income levels in cities around the world have led to the rise of health-oriented consumers. They are willing and able to invest in their personal health and wellness, driving demand for preventive healthcare products like vitamins, nutrition, fortified foods and beverages. According to a study on Consumer Health and Wellness Industry Trends by Accenture, the consumer healthcare market is expected to grow by more than 50% between 2013 and 2018, from US$502 billion to US$737 billion.

Improving well-being and quality of life, the ELO brand enables Hyflux to tap into the growing wellness market while capitalising on its expertise in water treatment. The business will also be a new source of recurring income for the Group.

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 2016 financial year. A summary of attendance by Directors at Board and Board Committees meetings for the financial year ended 31 December 2016 is as follows:

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

Legend:

NA Not Applicable

* Attendance by invitation.

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

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

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

CORPORATE GOVERNANCE STATEMENT

Principle 2: Board Composition and Guidance

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

Composition of Board and Board Committees

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

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

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

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

The Board believes the composition of the Board requires consideration of a number of factors, including the mix in skills, abilities and expertise, the mix in the length of time Directors have 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 of their independence in accordance with the Code and the SGX-ST's Listing Manual.

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

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

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

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

There is no alternate director on the Board.

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

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 2016 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.

CORPORATE GOVERNANCE STATEMENT

Principle 6: Access to Information

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

The Company Secretary attends all Board and Board Committee meetings. The Company Secretary administers, attends and prepares minutes of the Board and Board Committee meetings, and assists in ensuring that Board procedures are followed and reviewed in accordance with the Company's 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 Directors and senior management employees.

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

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

Principle 8: Level and Mix of Remuneration

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

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

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

Principle 9: Disclosure on Remuneration

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

Non-Executive Directors are paid Directors' fees that are subject to shareholders' approval at the Company's Annual General Meeting ("**AGM**"). The RC recommends total Directors' fees of S$580,000 be paid to Non-Executive Directors for the financial year ended 31 December 2016. This will be tabled for shareholders' approval at the forthcoming AGM.

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

The following table sets out the summary compensation table for Directors and top seven key executives for the financial year ended 31 December 2016:

	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	85%	7%	0%	3%	5%	100%
Below S$250,000						
Teo Kiang Kok	0%	0%	98%	2%	0%	100%
Lee Joo Hai	0%	0%	98%	2%	0%	100%
Gay Chee Cheong	0%	0%	98%	2%	0%	100%
Christopher Murugasu	0%	0%	98%	2%	0%	100%
Simon Tay	0%	0%	97%	3%	0%	100%
Lau Wing Tat	0%	0%	99%	1%	0%	100%
Gary Kee Eng Kwee	0%	0%	93%	7%	0%	100%

	Salary	Bonus	Fees	Employees' Share Option Scheme	Allowances and other benefits	Total
TOP SEVEN KEY EXECUTIVES						
Between S$500,000 to S$750,000						
Lim Suat Wah	88%	7%	0%	2%	3%	100%
Wong Lup Wai	89%	7%	0%	1%	3%	100%
Below S$500,000						
Cheong Aik Hock	87%	7%	0%	1%	5%	100%
Kum Mun Lock	87%	7%	0%	1%	5%	100%
Peter Wu Siu Kin	82%	7%	0%	1%	10%	100%
Oon Chong Howe	88%	7%	0%	0%	5%	100%
Ang Kim Chye Roland	87%	7%	0%	2%	4%	100%

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

In aggregate, the total remuneration paid to the top seven key executives in financial year ended 2016 is S$2,917,292.

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 2016.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

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

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

Principle 11: Risk Management and Internal Controls

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

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

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

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

The functions of the RMC are as follows:

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

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

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.

CORPORATE GOVERNANCE STATEMENT

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 2016:

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 2016.

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 the AC, collectively, have expertise and extensive experience in accounting, business, financial management and legal, and are qualified to discharge the AC's responsibilities.

The primary functions of the AC are as follows:

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

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

3. to review significant financial reporting issues and judgments relating to the quarterly and annual financial statements before submission to the Board for approval;

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

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

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

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

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

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

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

Significant matters that were discussed with management and the external auditor have been included as key audit matters ("**KAMs**") in the audit report for the financial year ended 31 December 2016. Refer to independent auditors' report of this annual report.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

Principle 13: Internal Audit

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

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

D. SHAREHOLDER RIGHTS AND RESPONSIBILITY

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

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

Communication is made through:

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

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

3. explanatory memoranda for AGM and extraordinary general meetings;

4. press releases on major developments of the Group;

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

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

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

Currently, the 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.

CORPORATE GOVERNANCE STATEMENT

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

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 2016, the Group did not enter into any transaction that would be regarded as an interested person transaction pursuant to SGX-ST's Listing Manual.

SUSTAINABILITY

In support of the Singapore Exchange's (SGX) plan to implement sustainability reporting in 2017, Hyflux will be publishing its inaugural Sustainability Report 2016, ahead of the mandatory requirement by SGX.

Hyflux adopts a strategic approach towards sustainability. It focuses on maintaining high safety standards at the workplace, achieving sustainable environmental outcomes, developing people and contributing back to the community.

SAFETY

Hyflux advocates a strong safety culture and strives to achieve a safe work environment for all its employees. The Group is committed to set and comply with its own health and safety standards across all operations, and business unit heads are responsible for ensuring health and safety management systems are implemented and complied with on the ground.

The Group-wide Quality, Environmental, Health and Safety (QEHS) policy is applied across all of Hyflux's operations and projects worldwide. It exemplifies Hyflux's commitment to control its accidental losses, to comply with applicable standards and legislation, as well as to achieve excellence in QEHS. The policy is reviewed yearly and was revised this year to include energy management as the Tuaspring Power Plant became officially operational in March 2016.

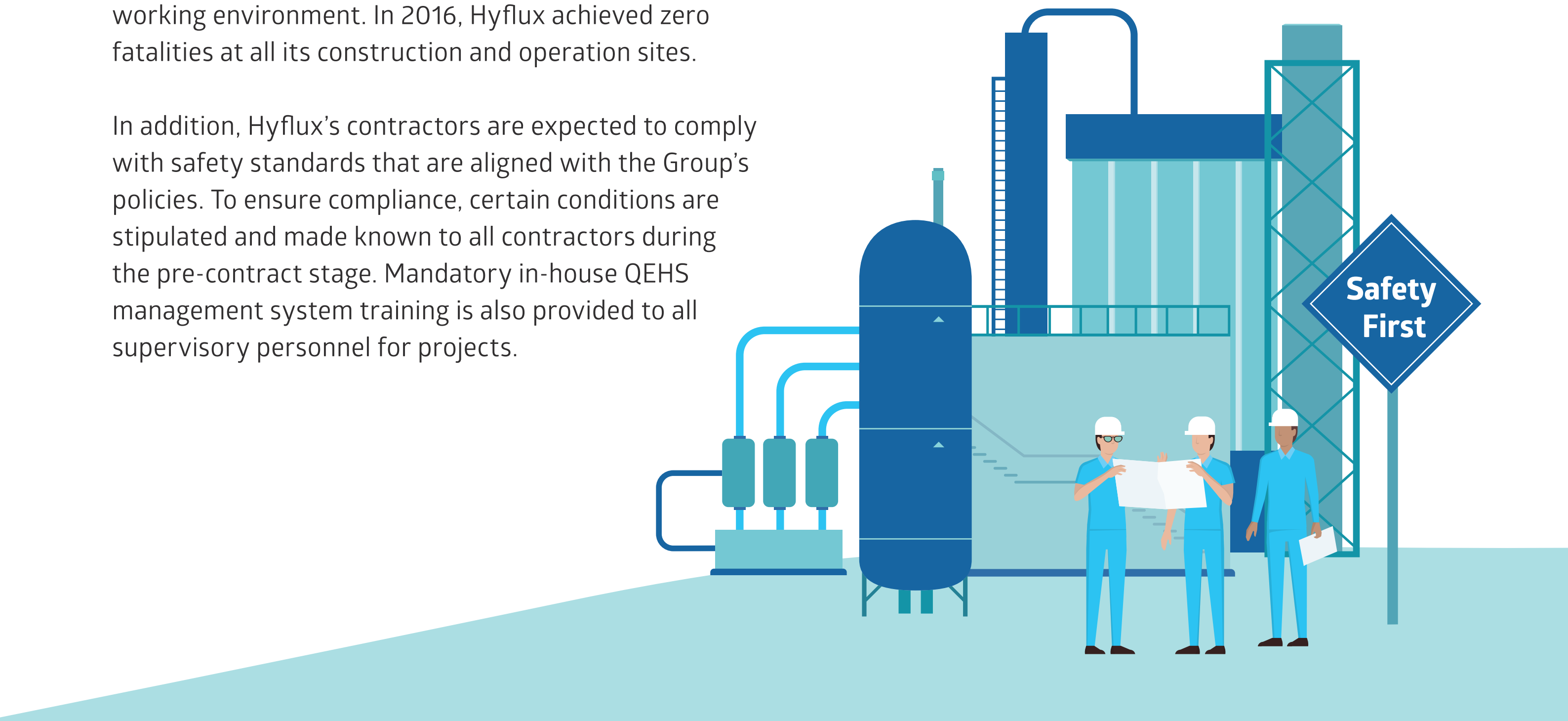
In July 2016, Hyflux passed the BS OHSAS 18001:2007 recertification audit affirming that its policies and procedures comply with international standards for occupational health and safety. Hyflux was also awarded the bizSAFE Star certification from the Singapore Workplace Safety and Health Council, which recognises Hyflux's sustained efforts towards promoting good workplace safety conditions.

To promote a robust safety culture among employees, Hyflux places strong emphasis on the importance of safety and keeping all plants accident-free. Training for health and safety is an ongoing effort which includes day-to-day safety sharing tips, toolbox sessions and

Celebrating Half Million Safe Man Hours at TuasOne Waste-to-Energy site, Singapore.

regular QEHS talks. They are aimed at equipping employees with the relevant technical knowledge, safety awareness and Hyflux's values for a safe working environment. In 2016, Hyflux achieved zero fatalities at all its construction and operation sites.

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



ENVIRONMENT

Hyflux is committed to providing cost-effective and innovative solutions to meet the world's growing resource needs in an environmentally and socially responsible manner.

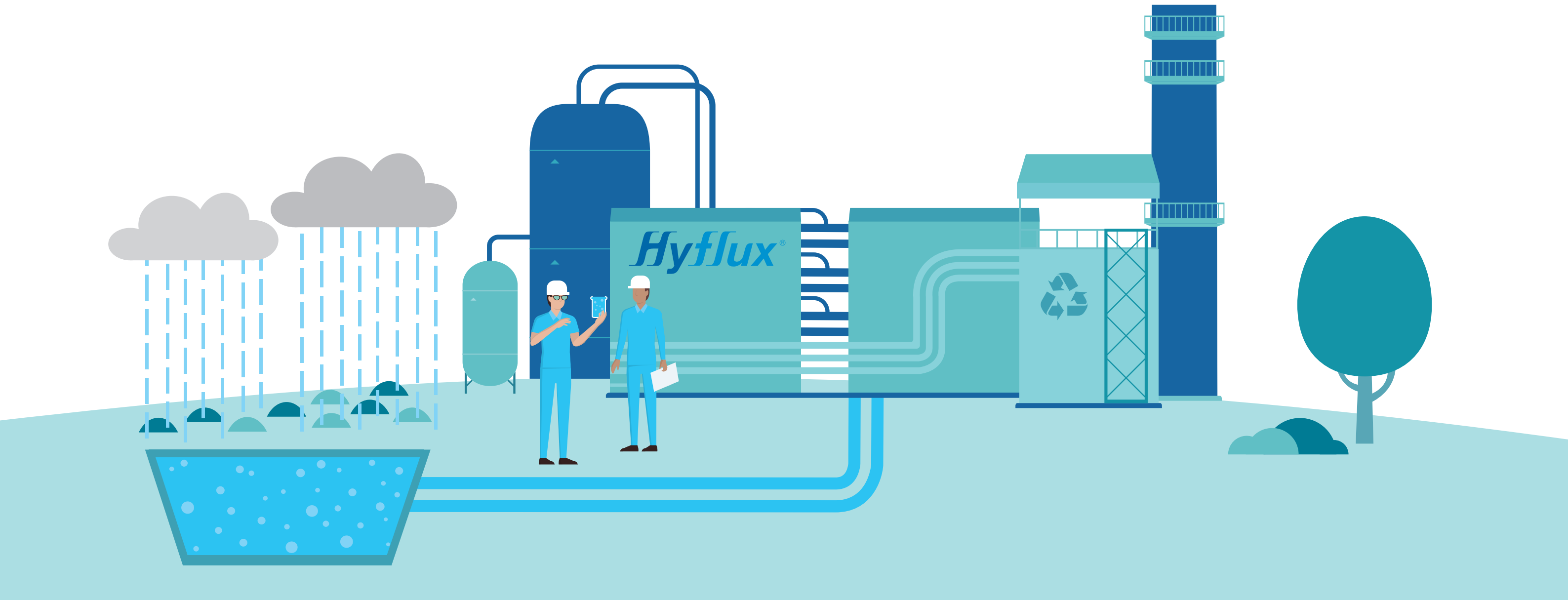
Managing the environmental impact of activities and operations is an integral part of Hyflux's business processes. The ISO 14001 certified environmental management system governs all of the Group's operations. In addition, all projects are subject to close environmental monitoring and follow-up before construction begins through Environmental Impact Assessments (EIA) and Environmental, Social, and Health Impact Assessments.

To reduce water consumption, Hyflux employs innovative features at its plants. The Tuaspring Desalination Plant in Singapore incorporates a bio-retention basin that treats stormwater runoff for irrigation purposes. The plant also has a rainwater harvesting tank to collect rainwater for toilet flushing. The Tuaspring Desalination Plant is the first industrial plant to be awarded the Active, Beautiful, Clean (ABC) Waters certification by PUB, Singapore's National Water Agency. The award recognises Hyflux's efforts in embracing the ABC Waters concept of creating an environmental asset out of water.

To increase energy efficiency, technologies and processes to improve resource optimisation are employed. At Hyflux, energy efficiency is a key design consideration at the early development stage. Overall energy consumption is reduced by optimising operational efficiency though process configuration and efficient plant building design. In accordance with the National Environmental Agency's Energy Conservation Act for Singapore, Hyflux reports the energy use of its Tuaspring and Singspring Desalination Plants periodically and submits an annual Energy Efficiency Improvement Plan.

To minimise waste, Hyflux works with local municipalities to recycle its industrial and domestic waste. Hyflux's waste streams from its operations are treated and disposed of according to local regulatory requirements. In jurisdictions where such regulatory frameworks do not exist, international best practice is followed to ensure appropriate waste disposal.

Across all its global operations, Hyflux ensures it meets the environmental requirements of the client and local regulatory authority, as well as standards set out in the pre-construction EIA.



PEOPLE AND COMMUNITIES

People are the cornerstone of Hyflux's business and the Group places strong emphasis on building its bench strength for its next phase of growth. As Hyflux continues to invest in the future by developing new products and capabilities, part of its strategy for sustainable growth is to focus on developing its people and contributing back to the community.

With more than 2,800 employees worldwide, Hyflux believes in providing an inclusive workplace for its diverse workforce. Employees are given equal opportunities regardless of age, gender or ethnicity. Hyflux's learning and development practices are based on ISO 9001 standards. In 2016, training hours increased significantly from 15 hours to 25 hours per employee in Singapore, exceeding ISO's target of 16 hours per employee.

The Group is also constantly looking at new initiatives to improve employee welfare. In 2016, Hyflux implemented a two-day eldercare leave for employees to better care for their elders at home. To promote an active lifestyle, the Company also organised various health-related workshops, as well as lunchtime yoga and kickboxing classes.

Hyflux's CEO takes the lead in encouraging staff to adopt an entrepreneurial mindset, innovate for growth and be adaptable. At quarterly CEO conversation sessions, employees are updated on the Company's performance. Employees have the opportunity to interact with the CEO during these sessions to better understand the Group's direction and strategy, as well as to offer their suggestions.

To further encourage an open dialogue, performance appraisals are conducted annually at Hyflux. Corporate employees are evaluated by their manager and given feedback on their strengths and weaknesses. Employees also offer feedback to their managers during these sessions. A training needs analysis is conducted so that trainings can be tailored to help employees improve their skill sets.

With the Group's expanding global operations, Hyflux encourages employees to move geographically to gain a deeper understanding of different markets, foster a global mindset and develop their leadership capabilities. The Group also believes in nurturing its local employees in overseas operations to take on key roles, as they add value with their local socio-political and cultural insights.

The Group is committed to playing an active role in the communities where it operates. Hyflux has supported various community programmes including blood donation drives and staff volunteering efforts with local beneficiaries. To promote environmental sustainability in the community, Hyflux is also collaborating with Wildlife Reserves Singapore (WRS) to reduce plastic bottle waste. Applying its expertise in ultrafiltration technology, Hyflux designed and installed customised potable water dispensers at the Singapore Zoo to encourage park guests to use refillable bottles. Going forward, this initiative will be implemented at all parks under WRS.

Potable water dispensers designed by Hyflux at the Singapore Zoo.

For more details on Hyflux's safety, environmental, people development and community initiatives, please refer to Hyflux's inaugural Sustainability Report 2016.

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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 2016.

In our opinion:

(a) the financial statements set out on pages 64 to 160 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 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

DIRECTORS

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

Olivia Lum Ooi Lin	Executive Chairman and Group CEO
Teo Kiang Kok	
Lee Joo Hai	
Gay Chee Cheong	
Christopher Murugasu	
Simon Tay	
Gary Kee Eng Kwee	
Lau Wing Tat	

DIRECTORS' INTERESTS

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

	Direct interest			Deemed interest		
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At 21 January 2017**	**At beginning of the year**	**At end of the year**	**At 21 January 2017**
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	3,000,000	3,000,000	–	–	–
Christopher Murugasu	1,095,468	1,095,468	1,095,468	180,000	180,000	180,000

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Direct interest At beginning of the year	At end of the year	At 21 January 2017	Deemed interest At beginning of the year	At end of the year	At 21 January 2017
The Company						
Preference shares						
Olivia Lum Ooi Lin	8,020	8,020	8,020	–	–	–
Teo Kiang Kok	3,000	3,000	3,000	–	–	–
Gay Chee Cheong	4,860	4,860	4,860	–	–	–
Christopher Murugasu	2,880	2,880	2,880	–	–	–
Perpetual capital securities						
Olivia Lum Ooi Lin	–	1,000,000	1,000,000	–	–	–
Teo Kiang Kok	–	200,000	200,000	–	–	–
Gay Chee Cheong	–	–	–	–	500,000	500,000
Christopher Murugasu	–	400,000	400,000	–	–	–
Simon Tay	–	500,000	500,000	–	–	–
Gary Kee Eng Kwee	–	–	–	–	500,000	500,000
Lau Wing Tat	–	50,000	50,000	–	–	–
Share options (2001 Scheme)						
Teo Kiang Kok	50,000	–	–	–	–	–
Lee Joo Hai	50,000	–	–	–	–	–
Gay Chee Cheong	50,000	–	–	–	–	–
Christopher Murugasu	50,000	–	–	–	–	–
Share options (2011 Scheme)						
Olivia Lum Ooi Lin	8,598,000	8,598,000	8,598,000	–	–	–
Teo Kiang Kok	200,000	300,000	300,000	–	–	–
Lee Joo Hai	200,000	350,000	350,000	–	–	–
Gay Chee Cheong	200,000	300,000	300,000	–	–	–
Christopher Murugasu	200,000	250,000	250,000	–	–	–
Simon Tay	200,000	250,000	250,000	–	–	–
Gary Kee Eng Kwee	500,000	500,000	500,000	–	–	–
Lau Wing Tat	50,000	150,000	150,000	–	–	–

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.

DIRECTORS' STATEMENT

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2017, 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.

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.

DIRECTORS' STATEMENT

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 2016	Options granted	Options exercised	Options forfeited/ expired	Options outstanding as at 31 December 2016	Number of holders as at 31 December 2016	Exercise period
2001 Scheme								
28/03/2006	1.7747	66,000	–	–	(66,000)	–	–	28/03/2007 – 27/03/2016
18/10/2006	1.5747	750,000	–	–	(750,000)	–	–	18/10/2007 – 17/10/2016
07/12/2006	1.5813	798,000	–	–	(798,000)	–	–	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	573,000	–	–	(60,000)	513,000	12	25/09/2008 – 24/09/2017
26/05/2008	2.4187	1,305,000	–	–	(165,000)	1,140,000	16	26/05/2009 – 25/05/2018
31/10/2008	0.9813	1,549,000	–	–	(87,000)	1,462,000	32	31/10/2009 – 30/10/2018
15/05/2009	1.1987	60,000	–	–	–	60,000	1	15/05/2010 – 14/05/2019
22/10/2009	2.0733	150,000	–	–	–	150,000	1	22/10/2010 – 21/10/2019
26/02/2010	2.3600	90,000	–	–	–	90,000	2	26/02/2011 – 25/02/2020
16/11/2010	2.1907	435,000	–	–	–	435,000	10	16/11/2011 – 15/11/2020
04/03/2011	1.8920	1,345,000	–	–	(85,000)	1,260,000	29	04/03/2012 – 03/03/2021
04/03/2011	1.8920	200,000	–	–	(200,000)	–	–	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	3,500,000	–	–	(350,000)	3,150,000	41	05/03/2013 – 04/03/2022
05/03/2013	1.3960	450,000	–	–	–	450,000	7	05/03/2014 – 04/03/2023
15/01/2014	1.1650	2,630,000	–	–	(670,000)	1,960,000	16	15/01/2015 – 14/01/2024
12/03/2015	0.8580	5,510,000	–	–	(750,000)	4,760,000	64	12/03/2016 – 11/03/2025
17/08/2016	0.5350	–	6,415,000	–	(170,000)	6,245,000	91	17/08/2017 – 16/08/2026
		28,039,000	6,415,000	–	(4,151,000)	30,303,000		

DIRECTORS' STATEMENT

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 2016	Aggregate options granted since commencement of Schemes to 31 December 2016	Aggregate options exercised since commencement of Schemes to 31 December 2016	Aggregate options expired since commencement of Schemes to 31 December 2016	Aggregate options outstanding as at 31 December 2016
2001 Scheme					
Olivia Lum Ooi Lin	–	8,625,000	(1,875,000)	(6,750,000)	–
Teo Kiang Kok	–	800,000	(375,000)	(425,000)	–
Lee Joo Hai	–	800,000	(375,000)	(425,000)	–
Gay Chee Cheong	–	725,000	(300,000)	(425,000)	–
Christopher Murugasu	–	1,409,375	(984,375)	(425,000)	–
Gary Kee Eng Kwee	–	700,000	(100,000)	(600,000)	–
Total	–	13,059,375	(4,009,375)	(9,050,000)	–
2011 Scheme					
Olivia Lum Ooi Lin	–	8,598,000	–	–	8,598,000
Teo Kiang Kok	100,000	300,000	–	–	300,000
Lee Joo Hai	150,000	350,000	–	–	350,000
Gay Chee Cheong	100,000	300,000	–	–	300,000
Christopher Murugasu	50,000	250,000	–	–	250,000
Simon Tay	50,000	250,000	–	–	250,000
Gary Kee Eng Kwee	–	500,000	–	–	500,000
Lau Wing Tai	100,000	150,000	–	–	150,000
Total	550,000	10,698,000	–	–	10,698,000

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.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The Audit Committee during the year and at the date of this statement comprises all non-executive directors. The members are:

Lee Joo Hai (Chairman)
Gay Chee Cheong
Teo Kiang Kok
Lau Wing Tat

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 the quarterly and annual financial statements 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 four meetings since the last directors' statement. In fulfilling its responsibilities, the Audit Committee receives regular reports from the management and the external auditors, KPMG LLP. The Audit Committee has full access to and co-operation of the management and meets with KPMG LLP as well as the internal auditors in private at least once a year, and more frequently if necessary.

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

DIRECTORS' STATEMENT

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

20 March 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hyflux Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Hyflux Ltd ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 64 to 160.

In our opinion, the accompanying 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 Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INT FRS 112 Service Concession Arrangements (Refer to notes 6 and 11 to the financial statements)	
The Risk: **<u>Fair value measurement of construction revenue</u>** The Group enters into service concession arrangements with municipals to build and operate water treatment plants, desalination plants, power plants and waste-to-energy plants (the "plants"). Construction revenue recognised is material to the Group and the measurement of construction revenue is based on the Group's estimated fair value of such construction services rendered.	**Our Response:** **<u>Fair value measurement of construction revenue</u>** We assessed the Group's process for determining the fair valuation measurement of construction revenue. We benchmarked the Group's estimate of its fair value measurement of construction service against comparable international projects by capacity and region.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hyflux Ltd

INT FRS 112 Service Concession Arrangements
(Refer to notes 6 and 11 to the financial statements)

The Group estimates the fair value of the construction revenue based on the financial modelling prepared by the Group's investment team. The financial model projects future cash flows from the municipal, over the entire duration of the service concession arrangement, for the construction services rendered by the Group.

For projects which are financed externally by banks, the Group separately engaged an independent financial model auditor to review the financial model, as part of financing requirement by the banks.

When construction revenue is recognised, depending on the payment terms by the municipals, an intangible assets and/or financial receivables are recorded on the balance sheet as consideration for the construction services rendered.

Valuation of intangible asset arising from service concession arrangement
As at reporting date, the Group has significant intangible asset arising from a service concession arrangement entered into with PUB, the Singapore's national water agency.

Assessing the recoverability of intangible assets arising from this service concession arrangement requires judgement, which includes developing key assumptions such as future electricity prices and spark spread, plant utilisation and discount rates. Spark spread is defined as the margin earned for selling one unit of electricity. These assumptions are sensitive inputs used in the projected cash flows prepared by the Group to determine the recoverability of intangible assets.

During the year, the project financiers engaged an independent external consultant to perform a Singapore power market study on the Group's power plant.

Valuation of intangible asset arising from service concession arrangement
We reviewed the methodology supporting the key assumptions, including the source of information to ensure it is appropriate and reasonable.

In addition, we performed a sensitivity analysis on the assumptions to ascertain the extent of change in those assumptions that would be required for the intangible asset to be impaired.

Our Findings:
Fair value measurement of construction revenue

We engaged our specialist and found the Group's estimate to be within acceptable range. The derived acceptable range is based on comparison against the fair value measurement of construction services rendered for comparable projects in terms of capacity and location.

Valuation of intangible asset arising from service concession arrangement
We performed an independent computation on the discount rate and found it comparable to the discount rate adopted by the Group.

We further reviewed the basis of the Group's projected electricity prices and spark spread, over the life of the service concession arrangement based on (1) expected declining capacity of existing plants due to old age and decommissioning, (2) barriers to entry, (3) forecasted Singapore GDP growth and (4) changes in fuel costs.

In the projected cash flows, the Group estimates its plant utilisation rate to be an approximation of its projected market share in the industry.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hyflux Ltd

INT FRS 112 Service Concession Arrangements (Refer to notes 6 and 11 to the financial statements)	
In preparing the cash flows projection to determine the recoverability of intangible assets, the Group based its key assumptions from the power market study performed by the independent external consultant. The assessment of these judgements and estimates is a key focus area of our audit because judgement exercised and assumptions developed may impact the appropriateness of reported revenue and the carrying amount of the Group's intangible assets.	We also performed a sensitivity analysis on the key assumption such as, discount rates, spark spread and plant utilisation and the results of this analysis can be found in note 6.

Impairment of property, plant and equipment (Refer to note 4 to the financial statements)	
The Risk: The Group identified an impairment trigger for one of its cash generating units ("CGU") in its property plant and equipment ("PPE") because the launch date of a product in this CGU has been delayed further. The Group engaged an independent certified valuer to perform a valuation of this CGU to determine the recoverable amount. The recoverable amount is compared against the carrying amount of this CGU to determine if any write down is required. The Group reviewed the valuation report issued by performing independent checks on the reasonableness of the assumptions used by the valuer. The valuation of the CGU requires judgement and estimation. The resulting recoverable amount may be impacted if the valuation methodology, including key assumptions used by the valuer are inappropriate.	**Our Response:** We assessed the competency, capability and objectivity of the valuer. We considered the valuation methodology used by the valuer to determine if it is of an acceptable industry practice for its asset type. We compared key assumptions applied by the valuer against available market and industry data. **Our Findings:** We found no matters of concern regarding the objectivity and competency of the independent valuer. The valuation methodology used were appropriate for its asset type. The key assumptions used in the valuation were found to be balanced and where available, with acceptable range of market data.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hyflux Ltd

Recoverability of trade receivables – including gross amounts due for contracts; S$219 million **Contingencies, litigations and claims** (Refer to notes 13, 15 and 33 to the financial statements)	
The Risk: The Group has outstanding billed receivables and unbilled receivables (gross amounts due for contract work) because of delays in construction projects. In addition, there were liquidated damages (LD) claimed by customers against the Group. The recoverability assessment of these receivables and estimation of provisions required for LD filed by customers require the Group to exercise judgement after taking into consideration latest developments arising from on-going negotiations with customers. Inappropriate assumptions can have a material effect on the values assigned to the carrying amounts of the receivables and/or provision for LD.	**Our Response:** In order to corroborate project developments during the year and to assess the reasonableness of the judgement made by the Group, we identified construction projects with prolonged delays on a project by project basis and performed the following procedures on a project by project basis:- • We had periodic discussions with the Group management, including its in-house legal, to follow up on the latest developments, including geopolitical impact, arising from ongoing negotiations; • Reviewed reports issued and engaged in discussion with external experts and consultants; and • Read minutes of risk management committee meeting **Our Findings :** Based on the above, the Group's recoverability assessment and those provisions made for LD as at year end is consistent based on the latest developments.

Other information

Management is responsible for the other information. The other information comprises the Group financial highlights, Message from Executive Chairman & Group Chief Executive Officer, Board of Directors and key management profile, geographical presence, financial review, operating review, corporate governance statement, supplementary information and shareholding statistic ('the Reports').

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

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

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hyflux Ltd

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Quek Shu Ping.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group		Company	
		2016	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
			Restated*		
Non-current assets					
Property, plant and equipment	4	156,359	167,604	–	–
Intangible assets	5	23,910	25,648	–	–
Intangible assets arising from service concession arrangements	6	1,083,682	1,127,767	–	–
Subsidiaries	7	–	–	278,958	219,048
Joint ventures	8	42,344	7,374	–	–
Associates	9	143,573	138,291	15,952	15,455
Other investment	10	–	542	–	–
Financial receivables	11	1,036,869	546,271	–	–
Trade and other receivables, including derivatives	13	3,751	–	1,163,449	972,287
Deferred tax assets	14	54,466	27,530	–	–
Total non-current assets		2,544,954	2,041,027	1,458,359	1,206,790
Current assets					
Gross amounts due for contract work	15	69,656	128,126	–	–
Inventories	16	42,460	51,613	–	–
Financial receivables	11	8,439	14,409	–	–
Trade and other receivables, including derivatives	13	423,925	275,786	681,478	847,315
Cash and cash equivalents	17	321,781	313,706	185,482	112,382
Assets held for sale	12	432,118	211,865	–	–
Total current assets		1,298,379	995,505	866,960	959,697
Current liabilities					
Trade and other payables, including derivatives	18	577,828	266,006	29,829	69,823
Loans and borrowings	19	292,139	659,652	240,597	614,800
Tax payable		22,663	6,864	4,071	2,756
Liabilities held for sale	12	91,006	13,347	–	–
Total current liabilities		983,636	945,869	274,497	687,379
Net current assets		314,743	49,636	592,463	272,318
Non-current liabilities					
Trade and other payables - derivatives	18	14,520	13,169	–	–
Loans and borrowings	19	1,291,413	764,297	585,289	305,424
Deferred tax liabilities	14	4,749	1,169	–	–
Total non-current liabilities		1,310,682	778,635	585,289	305,424
Net assets		1,549,015	1,312,028	1,465,533	1,173,684

* See note 22

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000 Restated*	Company 2016 $'000	Company 2015 $'000
Equity					
Share capital		607,258	607,258	607,258	607,258
Perpetual capital securities		790,280	469,096	790,280	469,096
Perpetual capital securities - treasury		(5,000)	–	(5,000)	–
Treasury shares		(85,929)	(85,929)	(85,929)	(85,929)
Capital reserve		16,720	13,731	11,373	8,863
Foreign currency translation reserve		(7,152)	469	–	–
Hedging reserve		(24,207)	(15,285)	–	1,277
Employees' share option reserve		25,392	25,069	25,392	25,069
Retained earnings		210,327	284,236	122,159	148,050
Total equity attributable to owners of the Company		1,527,689	1,298,645	1,465,533	1,173,684
Non-controlling interests		21,326	13,383	–	–
Total equity	20	1,549,015	1,312,028	1,465,533	1,173,684

* See note 22

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000 Restated*
Revenue	23	986,978	445,241
Other income		44,060	83,814
Changes in inventories of finished goods and work-in-progress		(7,413)	1,624
Raw materials and consumables used and subcontractors' cost		(721,972)	(225,890)
Staff costs	25	(84,026)	(65,200)
Depreciation, amortisation and impairment		(61,574)	(22,235)
Other expenses		(89,228)	(105,000)
Finance costs	24	(62,361)	(42,790)
Share of losses of associates and joint ventures, net of income tax		(2,730)	(19,610)
Profit before income tax	25	1,734	49,954
Tax credits	26	8,803	6,695
Profit for the year		10,537	56,649
Profit attributable to:			
Owners of the Company		4,762	52,450
Non-controlling interests		5,775	4,199
Profit for the year		10,537	56,649
Earnings per share (cents)			
Basic earnings per share	27	(7.51)	0.35
Diluted earnings per share	27	(7.51)	0.35

* See note 22

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 $'000	2015 $'000 Restated*
Profit for the year	10,537	56,649
Other comprehensive (loss)/income:		
Items that are or may be subsequently reclassified to profit or loss		
Foreign currency translation differences for foreign operations	(9,324)	(2,907)
Effective portion of changes in fair value of cash flow hedges	(11,904)	13,969
Share of other comprehensive income of associates and joint ventures	1,936	(4,525)
Net change in fair value of cash flow hedges transferred to profit or loss	2,938	49
Realisation of foreign currency translation to profit or loss	–	(6,685)
Other comprehensive loss for the year, net of income tax	(16,354)	(99)
Total comprehensive (loss)/income for the year	(5,817)	56,550
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(11,781)	53,333
Non-controlling interests	5,964	3,217
Total comprehensive (loss)/income for the year	(5,817)	56,550

* See note 22

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

Group	Share capital $'000	Perpetual capital securities $'000	Perpetual capital securities – treasury $'000	Treasury 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 2016, as restated	607,258	469,096	–	(85,929)	13,731	469	(15,285)	25,069	284,236	1,298,645	13,383	1,312,028
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	4,762	4,762	5,775	10,537
Other comprehensive income												
Foreign currency translation differences for foreign operations	–	–	–	–	–	(9,571)	–	–	–	(9,571)	247	(9,324)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	(11,846)	–	–	(11,846)	(58)	(11,904)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–	2,938	–	–	2,938	–	2,938
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	1,950	(14)	–	–	1,936	–	1,936
Total comprehensive income for the year	–	–	–	–	–	(7,621)	(8,922)	–	4,762	(11,781)	5,964	(5,817)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital $'000	Perpetual capital securities $'000	Perpetual capital securities – treasury $'000	Treasury 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 (see note 20)	–	–	–	–	–	–	–	–	(74,330)	(74,330)	–	(74,330)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,979	1,979
Issuance of perpetual capital securities	–	494,794	–	–	–	–	–	–	–	494,794	–	494,794
Redemption and repurchase of perpetual capital securities	–	(173,610)	(5,000)	–	(1,352)	–	–	–	–	(179,962)	–	(179,962)
Value of employee services received for issue of share options	–	–	–	–	–	–	–	323	–	323	–	323
Transfer to capital reserve	–	–	–	–	4,341	–	–	–	(4,341)	–	–	–
Total transactions with owners	–	321,184	(5,000)	–	2,989	–	–	323	(78,671)	240,825	1,979	242,804
At 31 December 2016	607,258	790,280	(5,000)	(85,929)	16,720	(7,152)	(24,207)	25,392	210,327	1,527,689	21,326	1,549,015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital $'000	Perpetual capital securities $'000	Treasury 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 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, as previously stated	–	–	–	–	–	–	–	41,273	41,273	4,199	45,472
Fair value adjustment on acquisition of subsidiaries (see note 22)	–	–	–	–	–	–	–	11,177	11,177	–	11,177
Profit for the year, as restated	–	–	–	–	–	–	–	52,450	52,450	4,199	56,649
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, as restated	–	–	–	–	(13,560)	14,443	–	52,450	53,333	3,217	56,550

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

Group	Share capital $'000	Perpetual capital securities $'000	Treasury shares $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employees' share option reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends (see note 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, as restated	607,258	469,096	(85,929)	13,731	469	(15,285)	25,069	284,236	1,298,645	13,383	1,312,028

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000 Restated*
Cash flows from operating activities			
Profit before income tax		1,734	49,954
Adjustments for:			
Amortisation of transaction costs related to borrowings		3,187	499
Depreciation, amortisation and impairment		61,574	22,235
Employees' share option expense		323	314
Fair value gain on derivative financial instruments		(2,433)	–
Finance costs		62,361	42,790
Financial receivables written off		–	5,989
Gain from acquisition of subsidiaries	22	–	(28,962)
Gain on disposal of other investment		(11)	–
Intangible assets arising from service concession arrangements written off		–	6,086
Interest income		(3,990)	(3,563)
Loss/(gain) on sale of property, plant and equipment		80	(15,502)
Other income		(2,333)	(17,866)
Property, plant and equipment written off		25	88
Share of losses of associates and joint ventures, net of income tax		2,730	19,610
(Write-back)/allowance for inventory obsolescence	16	(15)	288
Write-back of trade and other receivables		(447)	(153)
		122,785	81,807
Change in inventories		6,851	(372)
Change in gross amounts due for contract work		3,922	(19,889)
Change in trade and other receivables		(1,516)	(6,915)
Change in trade and other payables		282,562	29,669
Cash from operating activities before service concession arrangement projects		414,604	84,300
Change in financial receivables from service concession arrangements		(683,618)	25,193
Change in intangible assets arising from service concession arrangements		–	(146,110)
Cash used in operating activities after service concession arrangement projects		(269,014)	(36,617)
Income tax paid		(2,986)	(7,034)
Net cash used in operating activities		(272,000)	(43,651)

* See note 22

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000 Restated*
Cash flows from investing activities			
Acquisition of intangible assets		(1,248)	(1,168)
Acquisition of property, plant and equipment		(35,002)	(27,611)
Acquisition of subsidiaries, net of cash acquired	22	–	(45,942)
Acquisition of and additional interests in joint ventures		(33,344)	(7,063)
Acquisition of and additional interests in associates		(9,315)	(47,304)
Deposits paid		–	(70)
Dividends received from an associate		2,430	2,271
Interest received		2,414	2,062
Loans to joint ventures		(76,377)	(6,660)
Net proceeds from liquidation		3,731	–
Net proceeds from disposal of other investment		553	–
Net proceeds from liquidation of other investment		–	10,153
Net proceeds from sale of property, plant and equipment		52	17,742
Net cash used in investing activities		(146,106)	(103,590)
Cash flows from financing activities			
Contribution from non-controlling interests		1,979	5,359
Dividends paid		(74,330)	(68,190)
Interest paid		(64,083)	(48,977)
Net proceeds from perpetual capital securities issued		494,794	–
Proceeds from borrowings		947,870	352,726
Purchases of treasury shares		–	(23,993)
Redemption of perpetual capital securities		(175,000)	–
Restricted cash		(51,161)	–
Repurchase of perpetual capital securities		(4,962)	–
Repayment of borrowings		(691,449)	(157,387)
Net cash from financing activities		383,658	59,538
Net decrease in cash and cash equivalents		(34,448)	(87,703)
Cash and cash equivalents at 1 January		298,478	382,044
Effect of exchange rate fluctuations on cash held		(3,708)	4,137
Cash and cash equivalents at 31 December	17	260,322	298,478

* See note 22

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 20 March 2017.

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 2016 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates and joint ventures.

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

The principal activities of the subsidiaries comprise the following:

Water

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

Energy

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

Waste-to-Energy

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (SGD), which is the Company's functional currency. Other significant entities within the Group have Chinese Renminbi, Singapore dollars, US dollars, Omani Rial 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 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 for contract work; and
- Note 33 – recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

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

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

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 2016. 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 interests in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to 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 venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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 that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

Service concession arrangements

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

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

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, bank overdrafts and trade and other payables.

Intra-group financial guarantees

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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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.

Subsequent measurement

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.

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.

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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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

ELO bath
Revenue from ELO bath is recognised when the relevant services are rendered. Billed amounts for services which have not been rendered as at the balance sheet date is recognised as deferred revenue and included in trade and other payables.

Finance income
Finance income represents the interest income on the financial receivables arising from service concession arrangements, 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.

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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 Executive Chairman and Group CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 2016 and early application is permitted. However, the Group has not applied the following new or amended standards 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.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption in 2018 financial statements and FRS 116 *Leases* which is mandatory for adoption in 2019 financial statements.

- 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 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

- 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. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

- FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

As FRS 115, FRS 109 and FRS 116, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue, financial instruments and leases. 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 the 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.

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4 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery $'000	Motor vehicles $'000	Computers $'000	Office equipment $'000	Leasehold properties and improvements $'000	Furniture and fittings $'000	Construction-in-progress $'000	Total $'000
Cost								
At 1 January 2015	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 offs	(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, as previously stated	54,049	1,991	17,143	3,827	102,093	3,966	71,891	254,960
Fair value adjustment on acquisition of subsidiaries (see note 22)	–	–	–	–	11,177	–	–	11,177
At 31 December 2015, as restated	54,049	1,991	17,143	3,827	113,270	3,966	71,891	266,137
Additions	3,579	894	1,600	265	1,368	266	27,322	35,294
Transfers	10,407	–	366	97	899	47	(11,816)	–
Disposals	(589)	(226)	(107)	(40)	(130)	(61)	(52)	(1,205)
Reclassification to assets held for sale	(26,180)	(69)	–	(152)	(21,821)	–	(66)	(48,288)
Write offs	–	(128)	(33)	(5)	–	(16)	–	(182)
Effect of movements in exchange rates	(379)	(41)	(76)	(27)	(1,749)	43	(1,420)	(3,649)
At 31 December 2016	40,887	2,421	18,893	3,965	91,837	4,245	85,859	248,107
Accumulated depreciation and impairment losses								
At 1 January 2015	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 offs	(59)	(79)	(192)	(17)	–	(26)	–	(373)
Impairment losses	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
Depreciation for the year	7,013	201	1,774	505	4,325	632	–	14,450
Reclassification to assets held for sale	(17,324)	(7)	–	(149)	(2,466)	–	–	(19,946)
Disposals	(328)	(108)	(100)	(23)	(130)	(40)	–	(729)
Write offs	–	(108)	(30)	(4)	–	(15)	–	(157)
Effect of movements in exchange rates	(103)	(16)	(55)	(18)	(234)	23	–	(403)
At 31 December 2016	15,452	1,769	15,571	2,936	26,694	3,515	25,811	91,748
Carrying amounts								
At 1 January 2015	15,239	356	2,240	1,568	54,608	1,522	40,327	115,860
At 31 December 2015, as restated	27,855	184	3,161	1,202	88,071	1,051	46,080	167,604
At 31 December 2016	25,435	652	3,322	1,029	65,143	730	60,048	156,359

	Computers $'000	Furniture and fittings $'000	Total $'000
Company			
Cost			
At 1 January 2015, 31 December 2015 and 1 January 2016	1,018	11	1,029
Disposal	–	(11)	(11)
At 31 December 2016	1,018	–	1,018
Accumulated depreciation			
At 1 January 2015, 31 December 2015 and 1 January 2016	1,018	11	1,029
Disposal	–	(11)	(11)
At 31 December 2016	1,018	–	1,018
Carrying amounts			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
At 31 December 2016	–	–	–

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 2015 and 2016, 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 methods, 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. As a result, no impairment was recognised in 2015 and 2016.

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 2015, the Group recorded an impairment loss of $280,000 on the carrying amount of oil filtration equipment in the industrial segment in view of no significant progress in the course of dealing with the prospective buyer. The recoverable amount was determined based upon the fair value less cost to sell, derived from estimated selling price.

NOTES TO THE FINANCIAL STATEMENTS

In 2016, the management estimated the recoverable amount to approximate the carrying amount as at the reporting date, by making reference to current market price of the asset. As a result, no impairment was recognised in 2016.

The above impairment loss was included in "depreciation, amortisation and impairment expenses".

Other than the impairment loss recognised above, the recoverable amounts of all other property, plant and equipment approximate their respective carrying amounts. Therefore, any adverse movement in a key assumption would lead to impairment.

5 INTANGIBLE ASSETS

	Goodwill $'000	Intellectual property rights $'000	Development costs $'000	Licensing fees $'000	Total $'000
Group					
Cost					
At 1 January 2015	13,042	4,718	59,116	4,564	81,440
Additions – internally developed	–	–	1,167	–	1,167
Effect of movements in exchange rates	–	(11)	(10)	242	221
At 31 December 2015	13,042	4,707	60,273	4,806	82,828
Additions	–	501	–	40	541
Additions – internally developed	–	–	707	–	707
Effect of movements in exchange rates	–	(8)	(3)	132	121
At 31 December 2016	13,042	5,200	60,977	4,978	84,197
Accumulated amortisation and impairment losses					
At 1 January 2015	13,042	1,674	36,752	1,879	53,347
Amortisation for the year	–	221	3,039	323	3,583
Impairment losses	–	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
Amortisation for the year	–	212	2,496	331	3,039
Effect of movements in exchange rates	–	(2)	–	70	68
At 31 December 2016	13,042	2,118	42,414	2,713	60,287
Carrying amounts					
At 1 January 2015	–	3,044	22,364	2,685	28,093
At 31 December 2015	–	2,799	20,355	2,494	25,648
At 31 December 2016	–	3,082	18,563	2,265	23,910

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
Management assesses if there are any impairment indicators identified in the development projects as per the criteria set forth in the FRS. The recoverable amount of such development projects is based on ability to generate future cash flows as well as changes in the Group's business plan where appropriate. As a result, management assessed no impairment was necessary in 2016.

In 2015, management recognised an impairment charge of $138,000 in the Group's profit or loss. The carrying amounts of certain development costs were reduced to nil representing the recoverable amounts derived from fair value less cost to sell method.

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.

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS

	$'000
Group	
Cost	
At 1 January 2015	1,000,168
Additions	146,110
Write-off	(6,086)
Effect of movements in exchange rates	138
At 31 December 2015, 1 January 2016 and 31 December 2016	1,140,330
Accumulated amortisation	
At 1 January 2015	7,179
Amortisation for the year	5,384
At 31 December 2015	12,563
Amortisation for the year	44,085
At 31 December 2016	56,648
Carrying amounts	
At 1 January 2015	992,989
At 31 December 2015	1,127,767
At 31 December 2016	1,083,682

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 recognised by the Group arising from the service concession arrangements represent the Group's 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.

In 2015, included in the carrying amount of intangible assets was capitalised net borrowing costs related to the construction of the plants amounting to $7,105,000, calculated using a capitalisation rate of 1.3%. No borrowing costs was capitalised in 2016 upon completion of construction.

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:

	2016	2015
	$'000	$'000
Construction revenue arising from service concession arrangements	690,912	263,911

The segregation of the consideration between the financial receivables and intangible assets, 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 amounts, as well as choosing a suitable discount rate to calculate the present value of those cash flows. These estimates, including revenue recognised 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 the service concession arrangements are disclosed in this note and note 11 respectively.

Impairment loss on intangible assets
In 2015, 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 was no longer recoverable. The concession was terminated in 2016.

Recoverability of intangible assets arising from service concession arrangements
The key assumptions which the Group had adopted in its determination of the recoverable amount of its intangible assets arising from service consession arrangement include pre-tax discount rate, spark spread over the duration of the service concession period; and long term utilisation rate of the desalination plant and power generation facility.

Based on the assessment above, the recoverable amount approximates the carrying amount as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

A 1% downward revision of the pre-tax discount rate, spark spread or utilisation rate of the power generation facility as at 31 December 2016 would have decreased profit before income tax in profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

Group	Profit before income tax 2016 $'000
Pre-tax discount rate	–
Spark spread	8,593
Utilisation rate of power plant	8,593

The carrying amounts of intangible assets arising from service concession arrangements are tested for impairment when 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. Significant changes to the expected future cash flows and discount rate could impact the recoverable amounts of the intangible assets.

7 SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Unquoted equity securities, at cost	267,691	207,781
Impairment losses	(13,242)	(13,242)
	254,449	194,539
Loans to subsidiaries	24,509	24,509
	278,958	219,048

Loans to subsidiaries of $24,509,000 (2015: $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 2016 and 2015, the Company had 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 loss position. No impairment loss was recognised in the Company's profit or loss in relation to interests in subsidiaries as recoverable amounts were estimated to be higher than the carrying amounts.

Details of significant subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Ownership interest 2016 %	2015 %
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
TuasOne Pte Ltd	Singapore	75	75
Held through subsidiaries			
Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd	PRC	100	100
Tianjin Dagang NewSpring Co., Ltd	PRC	100 #	100 *
Hyflux Filtech (Shanghai) Co., Ltd	PRC	100	100
Hyflux-TJSB Algeria SPA	Algeria	51	51
Hyflux Energy Pte Ltd	Singapore	100	100
Hyflux EPC LLC	The Sultanate of Oman	100	100
Qurayyat Desalination SAOC	The Sultanate of Oman	85	85

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

\# Classified as held for sale. See note 12 for details.

KPMG LLP is the auditor of all Singapore-incoporated subsidiaries.

Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for Hyflux Filtech (Shanghai) Co., Ltd and Hyflux-TJSB Algeria SPA, which is audited by 深圳普瑞华会计事务所 and Guerza Rafik Expert Comptable G.R.E.C. respectively.

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, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits. For the purpose of these financial statements, the Group's consolidated net tangible assets include intangible assets arising from service concession arrangements.

As at 31 December 2016 and 2015, non-controlling interests are considered not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

8 JOINT VENTURES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Unquoted equity securities	42,344	7,374	–	–

Details of joint ventures are as follows:

Name of joint venture	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Held through subsidiaries			
Star Infrastructure Development (T) Limited (formerly known as Dominion Plantations Limited)	Tanzania	49	49 [@]
PT Oasis Waters International	Indonesia	50 [#]	–

[#] In November 2015, the Group signed a joint venture agreement with PT Gunawan Sejahtera to enter into the bottled water market in Indonesia. The Group injected an aggregate amount of $33,007,000 into the joint venture in 2016, and equity accounted for its 50% share of results with effect from January 2016.

[@] 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%, Star Infrastructure Development (T) Limited (formerly known as Dominion Plantations Limited) is classified as joint venture as the Group has joint control rights over this entity. As at 31 December 2016, 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 the interest using the equity methods.

KPMG LLP was the auditor of all Singapore-incorporated joint ventures. As at 31 December 2016, none of these joint ventures was considered significant. For this purpose, a joint venture 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 or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits. For the purpose of these financial statements, the Group's consolidated net tangible assets include intangible assets arising from service concession arrangements.

The following table summarises the financial information of each of the Group's significant joint ventures in 2015, adjusted for any differences in the Group's accounting policies.

	2015	
	Galaxy NewSpring Pte. Ltd. #	Tianjin Dagang NewSpring Co., Ltd. *
Place of business	**PRC**	**PRC**
	$'000	**$'000**
Revenue	58,419	15,958
Depreciation and amortisation	(11,877)	(3,453)
Interest income	109	35
Interest expense	(5,886)	(6,398)
Income tax expense	(611)	–
Loss for the year	(23,838)	(9,537)
Group's 50% share of loss	(11,919)	(4,769)

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

	2016 $'000	2015 $'000
Carrying amount of interests in joint ventures	42,344	7,374
Share of profit/(loss) from continuing operations, representing total comprehensive income	1,109	(29)

Classified as held for sale as at 31 December 2015. See note 12 for details.

* Tianjin Dagang NewSpring Co., Ltd. consolidated as at 31 December 2015. See note 22 for details.

NOTES TO THE FINANCIAL STATEMENTS

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.

	2016	2015			
	Total	Galaxy NewSpring Pte. Ltd.	Tianjin Dagang NewSpring Co., Ltd.	Immaterial joint ventures	Total
	$'000	$'000	$'000	$'000	$'000
Group's interest in net assets of joint ventures at beginning of the year	7,374	201,791	31,713	342	233,846
Group's share of profit/(loss) from continuing operations	1,109	(11,919)	(4,769)	(29)	(16,717)
Translation	517	(81)	528	2	449
Group's contribution during the year	33,344	–	–	7,063	7,063
Carrying amount of interest in joint venture acquired as subsidiary	–	–	(27,915)	–	(27,915)
Carrying amount of interest in joint venture reclassified to assets held for sale	–	(189,883)	–	–	(189,883)
Group's fair value adjustments at acquisition	–	92	443	(4)	531
Carrying amount of interest in joint ventures at end of the year	42,344	–	–	7,374	7,374

9 ASSOCIATES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Unquoted equity securities	143,573	138,291	15,952	15,455

The Group's unquoted equity securities with a carrying amount of $72,872,000 (2015: $77,769,000) have been pledged as collateral for banking facilities granted to the associates.

Details of significant associates are as follows:

Name of associate	Principal activity	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Held by the Company				
SingSpring Trust	Development and operation of a seawater desalination plant	Singapore	30	30
Held through subsidiaries				
Tahlyat Myah Magtaa SPA	Development and operation of a seawater desalination plant and sale of treated water	Algeria	47	47
Tus Water Group Limited	Investment holding	Hong Kong	25*	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.

Deloitte & Touche LLP, Singapore is the auditor of SingSpring Trust. Louerrad Mohamed is the auditor of Tahlyat Myah Magtaa SPA. 中兴华会计师事务所 is the auditor of Tus Water Group Limited.

The Group has not recognised losses totalling $2,824,000 (2015: $1,781,000) in relation to one of its interests in an associate as the Group has no obligation in respect of these losses.

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 or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits. For the purpose of these financial statements, the Group's consolidated net tangible assets include intangible assets arising from service concession arrangements.

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

	2016			2015		
	Tahlyat Myah Magtaa SPA	**Tus Water Group Limited**	**SingSpring Trust**	**Tahlyat Myah Magtaa SPA**	**Tus Water Group Limited**	**SingSpring Trust**
Place of business	**Algeria**	**Hong Kong**	**Singapore**	**Algeria**	**Hong Kong**	**Singapore**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets	435,115	187,364	168,276	430,484	174,339	173,949
Current assets	86,592	93,558	14,548	62,029	44,785	15,338
Non-current liabilities	(280,205)	(21,401)	(91,481)	(280,790)	–	(98,859)
Current liabilities	(137,393)	(20,189)	(11,543)	(94,542)	(20,608)	(14,788)
Net assets	104,109	239,332	79,800	117,181	198,516	75,640
Group's share of net assets and carrying amounts	48,931	59,833	23,940	55,075	49,629	22,692
Revenue	28,739	13,980	32,122	–	6,039	41,918
(Loss)/profit for the year	(13,055)	(2,180)	9,584	(9,486)	(5,776)	10,221
Other comprehensive income	–	2,965	(47)	–	6,469	1,417
Total comprehensive (loss)/income	(13,055)	785	9,537	(9,486)	693	11,638
Group's share of (loss)/profit	(6,136)	(545)	2,875	(4,458)	(1,444)	3,066
Group's share of total comprehensive (loss)/income	(6,136)	196	2,861	(4,458)	173	3,491

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

	2016 $'000	2015 $'000
Carrying amount of interests in associates	10,869	10,895
Share of loss from continuing operations, representing total comprehensive income	(33)	(57)

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.

2016	Tahlyat Myah Magtaa SPA $'000	Tus Water Group Limited $'000	SingSpring Trust $'000	Immaterial associates $'000	Total $'000
Group's interest in net assets of associates at beginning of the year	55,075	49,629	22,692	10,895	138,291
Group's share of:					
– (Loss)/profit from continuing operations	(6,136)	(545)	2,875	(33)	(3,839)
– Other comprehensive income	–	741	(14)	–	727
Total comprehensive income	(6,136)	196	2,861	(33)	(3,112)
Translation	(8)	693	–	7	692
Group's contribution during the year	–	9,315	–	–	9,315
Dividends received during the year	–	–	(2,430)	–	(2,430)
Group's fair value adjustments at acquisition date	–	–	817	–	817
Carrying amount of interest in associates at end of the year	48,931	59,833	23,940	10,869	143,573

NOTES TO THE FINANCIAL STATEMENTS

2015	Tahlyat Myah Magtaa SPA $'000	Tus Water Group Limited $'000	SingSpring Trust $'000	Immaterial associates $'000	Total $'000
Group's interest in net assets of associates at beginning of the year	68,721	–	20,682	10,932	100,335
Group's share of:					
– (Loss)/profit from continuing operations	(4,458)	(1,444)	3,066	(57)	(2,893)
– Other comprehensive income	–	1,617	425	–	2,042
Total comprehensive income	(4,458)	173	3,491	(57)	(851)
Translation	(9,188)	2,152	–	20	(7,016)
Group's contribution during the year	–	47,304	–	–	47,304
Dividends received during the year	–	–	(2,271)	–	(2,271)
Group's fair value adjustments at acquisition date	–	–	790	–	790
Carrying amount of interest in associates at end of the year	55,075	49,629	22,692	10,895	138,291

10 OTHER INVESTMENT

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current investment				
Financial assets at fair value through profit or loss	–	542	–	–

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 PRC, 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 investment. In 2014, the Group continued to classify these entities as other investment.

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.

Subsequently in 2015, the Group's investment in Filtech Singapore was 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 was recognised in profit and loss as impairment expenses.

In 2016, the Group disposed of its other investment of $542,000. See movements in note 30.

11 FINANCIAL RECEIVABLES

	Group	
	2016	2015
	$'000	$'000
Non-current		
Financial receivables	1,036,869	546,271
Current		
Financial receivables	8,439	14,409
Total	1,045,308	560,680

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

During the year, the Group, through a service concession arrangement with National Environment Agency (NEA), the offtaker, commenced construction of a Waste-to-Energy (WTE) plant under a Design-Build-Own-Operate scheme with a capacity to process 3,600 tonnes of waste per day in Tuas, Singapore. Following the completion of construction phase, the plant will provide waste treatment services exclusively to NEA. The concession period is 25 years.

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

See note 6 for the background of the other service concession arrangement entered into with PUB.

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.

NOTES TO THE FINANCIAL STATEMENTS

PRC

a) Included in the balance as at 31 December 2015 was financial receivables arising from service concession arrangement in Tianjin Dagang NewSpring Co., Ltd (Tianjin Dagang). In October 2016, the Group initiated the process to divest its entire equity interest in Tianjin Dagang and its holding companies. Accordingly, the Group classified the financial receivables as assets held for sale as at the balance sheet date.

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 RMB890,000,000 (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 October 2016, management commenced the process to divest its entire equity interest in Tianjin Dagang and its holding companies (Dagang Disposal Group). Accordingly, identified assets and liabilities of the Dagang Disposal Group were classified as held for sale as at 31 December 2016.

b) In 2015, management committed to a plan to sell its wholly owned plants in China, namely Hyflux NewSpring (Nantong) WWT Co., Ltd (Nantong WWTP SPC) and Hyflux NewSpring (Wuhu) Co., Ltd (Wuhu SPC). Accordingly, these plants were presented as held for sale as at 31 December 2015. The sale of Nantong WWTP SPC to Jiangsu Yangkou Port Holding Co., Ltd was completed in 2016. The Group expects to receive the remaining proceeds of approximately $7.2 million over the next two years after completion, in accordance with the agreement.

   The completion of sale of Wuhu SPC to Tus Water Group Limited is currently pending regulatory approvals by the Chinese authorities.

c) 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 carrying value in Galaxy of $189,883,000 (2015: $189,883,000) was classified as assets held for sale as at 31 December 2015. In March 2017, the Group completed the divestment of Galaxy.

As at 31 December 2016, assets and liabilities held for sale comprised the following:

	Note	Group 2016 $'000	Group 2015 $'000
Property, plant and equipment	4	28,342	1,747
Financial receivables		192,092	14,522
Inventories		2,330	16
Trade and other receivables		4,104	285
Cash and cash equivalents	17	15,367	5,412
Subsidiaries classified as assets held for sale		242,235	21,982
Joint venture classified as assets held for sale		189,883	189,883
Assets held for sale – total		432,118	211,865
Trade payable and other payables		2,123	13,339
Loans and borrowings		88,875	–
Tax payable		8	8
Subsidiaries classified as liabilities held for sale – total		91,006	13,347

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

As at 31 December 2016, foreign currency translation expenses relating to Dagang Disposal Group of $5,376,000 was included in the OCI.

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Derivatives:				
– foreign currency contract	250	–	–	–
– fuel contracts	299	–	–	–
Amounts due from subsidiaries (non-trade)	–	–	1,163,449	972,287
Other receivables	3,202	–	–	–
	3,751	–	1,163,449	972,287
Current				
Trade receivables	149,112	117,940	–	–
Prepayments	35,509	34,532	4,360	847
Deposits	4,106	4,285	–	–
Advances to suppliers	9,933	17,290	–	–
Staff advances	88	144	–	–
Derivatives:				
– foreign currency contracts	2,097	3,279	–	2,727
– fuel contracts	8,422	–	–	–
– electricity futures	–	1,085	–	–
Other receivables	32,267	39,218	59	8,122
Loan to a joint venture	81,261	–	–	–
Amounts due from:				
– subsidiaries (trade)	–	–	13,257	13,731
– subsidiaries (non-trade)	–	–	657,793	816,054
– joint ventures (trade)	19,458	34,645	–	–
– joint ventures (non-trade)	3,705	2,938	3	3
– associates (trade)	77,245	19,708	–	–
– associates (non-trade)	722	722	6,006	5,831
	423,925	275,786	681,478	847,315
Total	427,676	275,786	1,844,927	1,819,602

The Group

As at 31 December 2016, trade receivables for the Group included a retention sum of $5,909,000 (2015: $6,219,000) relating to construction contracts in progress.

Included in current trade receivables of the Group as at 31 December 2016 were note receivables of $641,000 (2015: $4,495,000) relating to bank promissory notes for payment within the next six months.

As at 31 December 2016, other receivables included grant receivables from EMA relating to the Group's participation in the FSC scheme.

Except for the loan to a joint venture of $81,261,000 that bears interest at 4.8% per annum, the remaining current amounts due from joint ventures 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 $1,028,000 (2015: $30,706,000), there was no other allowance for doubtful debts arising from the outstanding balances.

Except for balances amounting to $1,040,863,000 (2015: $934,044,000) that bear interest at rates ranging between 5.0% to 6.5% (2015: 6.0% 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Tax losses	112,393	90,789	–	–

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 $106,490,000 (2015: $83,474,000) expire between 2017 to 2024 (2015: 2016 to 2023). 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 2016, 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 for details of acquisition.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Property, plant and equipment	–	–	1,396	1,109
Intangible assets	–	–	3,353	3,602
Tax loss carry-forwards	(54,466)	(31,072)	–	–
Deferred tax (assets)/liabilities	(54,466)	(31,072)	4,749	4,711
Set off of tax	–	3,542	–	(3,542)
Net deferred tax (assets)/liabilities	(54,466)	(27,530)	4,749	1,169

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

Group	Balance as at 1 January 2015 $'000	Recognised in profit or loss (note 26) $'000	Acquired in business combination (note 22) $'000	Effect of movements in exchange rates $'000	Balance as at 31 December 2015 $'000	Recognised in profit or loss (note 26) $'000	Effect of movements in exchange rates $'000	Balance as at 31 December 2016 $'000
Property, plant and equipment	422	(305)	992	–	1,109	287	–	1,396
Intangible assets	3,602	–	–	–	3,602	(249)	–	3,353
Tax loss carry-forwards	(13,036)	(14,494)	(3,600)	58	(31,072)	(23,536)	142	(54,466)
	(9,012)	(14,799)	(2,608)	58	(26,361)	(23,498)	142	(49,717)

NOTES TO THE FINANCIAL STATEMENTS

15 GROSS AMOUNTS DUE FOR CONTRACT WORK

	Note	Group 2016 $'000	Group 2015 $'000
Costs incurred and attributable profits		1,314,196	2,210,365
Progress billings		(1,254,647)	(2,088,331)
		59,549	122,034
Comprising of:			
Gross amounts due for contract work		69,656	128,126
Progress billings in excess of construction work-in-progress	18	(10,107)	(6,092)
		59,549	122,034

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 2016 $'000	Group 2015 $'000
Raw materials and consumables	16,268	18,008
Work in progress	8,466	12,164
Finished goods	17,726	21,441
	42,460	51,613

During the year, inventories of the Group amounting to $15,000 were written back. In 2015, inventories of the Group amounting to $288,000 were fully written down to its net realisable value. The write-back and write-down were included as part of other expenses in profit or loss.

17 CASH AND CASH EQUIVALENTS

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Bank balances		128,466	237,296	4,799	36,593
Fixed deposits with financial institutions		193,315	76,410	180,683	75,789
Cash and cash equivalents in the statements of financial position		321,781	313,706	185,482	112,382
Deposits pledged		(305)	(325)		
Restricted cash		(52,682)	–		
Bank overdrafts used for cash management purposes	19	(23,839)	(20,315)		
Cash and cash equivalents included in assets held for sale	12	15,367	5,412		
Cash and cash equivalents in the statement of cash flows		260,322	298,478		

Restricted cash was set aside for issuance of an equity letter of credit for the Tuasone WTE project and for energy futures trading.

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

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current					
Derivatives					
– fuel contracts	30	289	–	–	–
– interest rate swaps used for hedging	30	14,231	13,169	–	–
		14,520	13,169	–	–
Current					
Trade payables		472,473	168,664	–	–
Progress payments from customers	15	10,107	6,092	–	–
Accrued expenses		33,910	53,555	779	2,432
Other payables		27,750	23,653	4,105	6,793
Derivatives					
– Electricity futures	30	11,483	–	–	–
– Fuel contracts	30	536	4,496	–	–
– Interest rate swaps used for hedging	30	11,192	–	–	–
Amounts due to:					
– subsidiaries (trade)		–	–	40	40
– subsidiaries (non-trade)		–	–	24,905	60,558
– joint ventures (trade)		2,500	2,203	–	–
– joint ventures (non-trade)		842	862	–	–
– associates (trade)		7,035	6,481	–	–
		577,828	266,006	29,829	69,823
Total		592,348	279,175	29,829	69,823

Non-trade amounts due to subsidiaries, joint ventures and associates 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 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current liabilities					
Secured bank loans (a)		562,783	227,803	–	–
Unsecured bank loans (b)		463,190	272,070	320,686	41,000
Unsecured notes (c)		264,603	264,424	264,603	264,424
Unsecured shareholder loan		837	–	–	–
		1,291,413	764,297	585,289	305,424
Current liabilities					
Secured bank loans (a)		1,049	–	–	–
Unsecured bank loans (b)		267,251	484,369	240,597	459,832
Unsecured notes (c)		–	154,968	–	154,968
Bank overdraft (d)	17	23,839	20,315	–	–
		292,139	659,652	240,597	614,800
Total		1,583,552	1,423,949	825,886	920,224

(a) Secured bank loans

Secured bank loans are denominated in SGD and USD (2015: SGD). The secured bank loans are repayable between 2017 to 2043 (2015: 2017 to 2031). As at 31 December 2016, the effective interest rate is 4.11% (2015: 5.57%) per annum.

Secured bank loans of the Group relating to project financing of subsidiaries are secured against intangible assets arising from service concession arrangements of $1,083,682,000 (2015: $1,127,767,000) (see note 6); and financial receivables of $1,045,308,000 (2015: $238,791,000) (see note 11).

(b) Unsecured bank loans

Unsecured bank loans of the Group are denominated in SGD, USD, RMB and EUR (2015: SGD, USD, RMB and EUR). The unsecured bank loans of the Group are repayable between 2017 to 2026 (2015: 2016 to 2026). As at 31 December 2016, the effective interest rates ranged from 1.40% to 3.35% (2015: 1.00% to 5.90%) per annum.

Unsecured bank loans of the Company are denominated in SGD, USD and EUR (2015: SGD, USD and EUR). The unsecured bank loans of the Company are repayable between 2017 to 2021 (2015: 2016 to 2018). As at 31 December 2016, the effective interest rates ranged from 1.40% to 3.35% (2015: 1.00% to 3.13%) per annum.

Unsecured bank loans of the Group totalling $586,634,000 (2015: $691,509,000) are guaranteed by the Company and a subsidiary of the Group.

Unsecured bank loans of the Company totalling $428,488,000 (2015: $448,727,000) are guaranteed by a subsidiary of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

(c) Unsecured notes

Unsecured notes of the Group and Company are denominated in SGD (2015: SGD). The unsecured notes of the Group and Company are repayable between 2018 to 2019 (2015: 2016 to 2019). As at 31 December 2016, the effective interest rates ranged from 4.20% to 4.60% (2015: 3.50% to 4.60%) per annum.

As at 31 December 2016, $265,000,000 (2015: $420,000,000) 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 (2015: DZD) and is repayable in 2017 (2015: 2016). As at 31 December 2016, the effective interest rate is 9.00% (2015: 9.00%) per annum.

As at 31 December 2016, bank overdraft of the Group totalling $23,839,000 (2015: $20,313,000) is guaranteed by the Company.

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***	
	2016 No. of shares '000	**2015 No. of shares '000**	**2016 No. of shares '000**	**2015 No. of shares '000**
Group and Company				
On issue at 1 January	785,285	816,985	4,000	4,000
Purchase of treasury shares	–	(31,700)	–	–
On issue at 31 December	785,285	785,285	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 ordinary shares are fully paid, with no par value.

Ordinary shares

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

Perpetual preference shares

	Group and Company	
	2016	**2015**
	$'000	**$'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 meetings 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

On 27 May 2016, the Company issued perpetual capital securities with principal amount of $500,000,000 bearing distributions at a rate of 6.00% per annum. An amount of $494,794,000 net of issuance costs, was recognised in equity. Additionally, in September 2016, the Company repurchased $5,000,000 of perpetual capital securities with principal amount of $300,000,000 bearing distributions at a rate of 5.75% per annum. The perpetual capital securities bought back from the market were held in treasury.

In July 2016, the Company fully redeemed perpetual capital securities with principal amount of $175,000,000 bearing distributions at a rate of 4.80% per annum.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016, perpetual capital securities the Group and Company comprised the following:

	Group and Company	
	2016	2015
	$'000	$'000
Principal amount of:		
– $300 million at 5.75% per annum, issued on 23 January 2014	295,486	295,486
– $175 million at 4.80% per annum, issued on 29 July 2014	–	173,610
– $500 million at 6.00% per annum, issued on 27 May 2016	494,794	–
	790,280	469,096

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.

Treasury shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. In 2015, 31,700,000 shares were purchased and kept as treasury shares. As at 31 December 2016, the Group held 79,246,000 (2015: 79,246,000) of the Company's shares.

Capital reserve

The capital reserve comprises:

(a) 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.

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

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

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	
	2016	**2015**
	$'000	**$'000**
Final tax-exempt dividend paid of 1.00 cents (2015: 1.60 cents) per share in respect of previous financial year	7,853	12,909
Interim tax-exempt dividend paid of 0.20 cents (2015: 0.70 cents) per share in respect of current financial year	1,570	5,631
6% (2015: 6%) per annum of perpetual preference shares	24,063	24,000
Dividends for perpetual capital securities	40,844	25,650
	74,330	68,190

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

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Final proposed tax-exempt dividend of 0.25 cents (2015: 1.00 cents) per share	1,963*	7,853*

* based on issued ordinary shares as at 31 December 2016 and 31 December 2015 respectively.

NOTES TO THE FINANCIAL STATEMENTS

21 SHARE-BASED PAYMENT

As at 31 December 2016, the Group has the following share-based payment arrangements.

Share option scheme (equity-settled)
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, 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 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 Remuneration Committee. It has been in force since 27 September 2011 and shall expire on 26 September 2021.

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 2011 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 2016 $	Number of options 2016	Weighted average exercise price 2015 $	Number of options 2015
Outstanding at 1 January	1.391	28,039,000	1.556	35,560,250
Forfeited during the year	1.192	(2,337,000)	1.497	(4,023,000)
Expired during the year	1.620	(1,814,000)	1.635	(9,418,250)
Granted during the year	0.535	6,415,000	0.858	5,920,000
Outstanding at 31 December	1.211	30,303,000	1.391	28,039,000
Exercisable at 31 December	1.509	18,220,000	1.571	16,726,400

The options outstanding as at 31 December 2016 have an exercise price in the range of $0.535 to $2.4187 (2015: $0.858 to $2.4187) per share and a weighted average contractual life of 5.63 years (2015: 5.48 years).

No option was exercised in 2016 and 2015.

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	**17 August 2016**	**12 March 2015**
Fair value at grant date	$0.066	$0.129
Share price at grant date	$0.510	$0.855
Exercise price	$0.535	$0.858
Expected volatility (weighted average volatility)	24.7%	24.6%
Option life (expected weighted average life)	100 days	100 days
Expected dividends	2.55%	2.50%
Risk-free interest rate (based on government bonds)	1.05%	1.37%

22 ACQUISITIONS OF SUBSIDIARIES

In 2015, 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), 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 investment – 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 the acquisitions, the Group consolidated these entities in its consolidated financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS

Acquisition-related costs
In 2015, 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	2015 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 amounts 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 comprised 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 the statement of profit or loss in 2015 (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 the industry; and (ii) the parent company which held these companies had resolved to commence liquidation.

(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 interest in H.J. NewSpring Limited, the holding company of Tianjin Dagang NewSpring Co., Ltd (Tianjin Dagang) in the PRC. 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 the People's Government of Tianjin City, Dagang District. The plant has been operational since 2009.

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.

NOTES TO THE FINANCIAL STATEMENTS

Following the completion of the fair value review in 2016, the Group made retrospective adjustment of $11.2 million to the provisional fair value originally recorded in 2015, which resulted in a restatement to the "other income" in the statement of profit or loss in 2015.

The effect of the adjustment made during the 12-month period from acquisition date (the "Window Period") made in the statement of financial position is set out below:

	Note	Fair values recognised on acquisition (provisional) $'000	Group Adjustments during Window Period $'000	Fair values recognised on acquisition (final) $'000
Property, plant and equipment	4	20,283	11,177	31,460
Financial receivables - non-current		202,985	–	202,985
Inventories		4,932	–	4,932
Financial receivables - current		8,170	–	8,170
Trade and other receivables		4,113	–	4,113
Cash and cash equivalents		7,171	–	7,171
		247,654	11,177	258,831
Trade and other payables		52,859	–	52,859
Loans and borrowings - current		11,031	–	11,031
Loans and borrowings - non-current		100,943	–	100,943
		164,833	–	164,833
Net identified assets		82,821	11,177	93,998
Less: Amount previously accounted for as joint venture, at fair value		(27,915)	–	(27,915)
		54,906	11,177	66,083
Gain from acquisition of subsidiaries		(12,258)	(11,177)	(23,435)
Total purchase consideration		42,648	–	42,648
Cash outflow on acquisition in 2015:				
Cost of acquisitions		(42,648)	–	(42,648)
Net cash acquired with subsidiaries		7,171	–	7,171
Net cash outflow on acquisition		(35,477)	–	(35,477)

Purchase price allocation adjustments, which are non-cash in nature, made during the Window Period have been applied retrospectively.

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

In 2015, 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 $23,435,000 was recognised in "other income" in the statement of profit or loss in 2015 (see note 25).

23 REVENUE

	Group	
	2016	**2015**
	$'000	**$'000**
Construction revenue	729,865	358,523
Operating and maintenance income	230,944	55,951
Sale of goods	12,223	19,231
Finance income	11,276	8,953
Others	2,670	2,583
	986,978	445,241

24 FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense – bank loans	62,361	42,790

NOTES TO THE FINANCIAL STATEMENTS

25 PROFIT BEFORE INCOME TAX

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

		Group	
	Note	2016 $'000	2015 $'000 Restated
Audit fees paid to:			
– auditors of the Company		436	445
– other member firms of KPMG International		170	240
– other auditors		119	100
Non-audit fees paid to:			
– auditors of the Company		8	5
Financial receivables written off		–	5,989
Gain from acquisition of subsidiaries	22	–	(28,962)
Loss/(gain) on sale of property, plant and equipment		80	(15,502)
Interest income:			
– fixed deposits with financial institutions		(1,434)	(1,087)
– associates		(1,475)	(1,447)
– joint venture		(1,018)	(1,029)
– others		(63)	–
Intangible assets arising from service concession arrangements written off		–	6,086
Net foreign currency exchange loss		1,179	9,231
Other income – Grant income		(39,107)	(22,534)
Operating lease expense		22,351	20,959
Professional fees paid to a firm in which a director is a member		1,126	242
Research expense		531	411
Staff costs (see below)		84,026	65,200
Utilities expense		15,596	23,073
Write-back of trade and other receivables		(447)	(153)

Staff costs			
Salaries, bonuses and other costs		77,006	58,829
Contributions to defined contribution plans		6,697	6,057
Employees' share option expense		323	314
		84,026	65,200

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

26 TAX CREDITS

	Group 2016 $'000	Group 2015 $'000
Current tax expense		
Current year	13,784	7,768
Under provided in prior years	911	336
	14,695	8,104
Deferred tax expense		
Origination and reversal of temporary differences	(24,258)	(14,420)
Under/(Over) provided in prior years	760	(379)
	(23,498)	(14,799)
Tax credits	(8,803)	(6,695)

	Group 2016 $'000	Group 2015 $'000 Restated
Reconciliation of effective tax rate		
Profit before income tax	1,734	49,954
Income tax using Singapore tax rate of 17% (2015: 17%)	295	8,492
Effect of different tax rates in foreign jurisdictions	(3,974)	1,970
Tax exempt and non-taxable income	(15,735)	(30,284)
Non-deductible expenses	7,276	5,684
Current year losses for which no deferred tax asset was recognised	4,153	3,162
Effect of partial tax exemption and incentives	(2,633)	2,990
Effect of results of equity-accounted investees presented net of tax	464	3,334
Recognition of tax effect on previously unrecognised tax losses	(320)	(2,000)
Under/(Over) provided in prior years	1,671	(43)
	(8,803)	(6,695)

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.

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 2016 was based on the loss attributable to ordinary shareholders of $59,003,000 (2015: Profit of $2,800,000), and a weighted average number of ordinary shares outstanding of 785,284,989 (2015: 801,484,406), calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2016	**2015**
	$'000	**$'000**
		Restated
Profit for the year	4,762	52,450
Dividends on perpetual preference shares	(24,063)	(24,000)
Dividends on perpetual capital securities	(39,702)	(25,650)
(Loss)/Profit attributable to ordinary shareholders	(59,003)	2,800

Weighted average number of ordinary shares

	2016	**2015**
	'000	**'000**
Issued ordinary shares at 1 January	785,285	816,985
Effect of own shares held	–	(15,501)
Weighted average number of ordinary shares at 31 December	785,285	801,484

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2016 was based on loss attributable to ordinary shareholders of $59,003,000 (2015: Profit of $2,800,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 785,360,760 (2015: 801,484,406), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2016	**2015**
	'000	**'000**
Weighted average number of ordinary shares (basic)	785,285	801,484
Effect of share options on issue	76	–
Weighted average number of ordinary shares (diluted) at 31 December	785,361	801,484

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

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

- *Industrial*. Liquid separation applications for industrial customers 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 2016 or 2015.

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

(b) Geographical segments

The Group operates in four principal geographical areas, namely, Singapore, 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.

NOTES TO THE FINANCIAL STATEMENTS

Information about reportable segments

	Municipal		Industrial		All other segments		Total	
	2016 $'000	2015 $'000 Restated	2016 $'000	2015 $'000 Restated	2016 $'000	2015 $'000 Restated	2016 $'000	2015 $'000 Restated
External revenue	912,396	419,089	69,474	24,110	5,108	2,042	986,978	445,241
Interest income	1,985	3,018	321	225	1,020	1	3,326	3,244
Finance costs	(61,041)	(41,598)	(897)	(662)	(57)	(53)	(61,995)	(42,313)
Depreciation, amortisation and impairment	(55,723)	(12,806)	(2,375)	(5,531)	(1,789)	(1,452)	(59,887)	(19,789)
Reportable segment profit before income tax	4,673	62,613	983	7,774	169	1,781	5,825	72,168
Share of (loss)/profit of associates and joint ventures, net of income tax	(3,841)	(19,610)	–	–	1,111	–	(2,730)	(19,610)
Tax credit/(expense)	8,814	8,780	(504)	(1)	493	(2,084)	8,803	6,695
Operating lease expenses	(21,421)	(18,986)	(606)	(1,761)	(324)	(212)	(22,351)	(20,959)
Contributions to defined contribution plan, included in staff cost	(5,882)	(5,074)	(413)	(759)	(276)	(193)	(6,571)	(6,026)
Reportable segment assets	3,271,745	2,545,038	156,804	185,700	48,524	84,751	3,477,073	2,815,489
Interests in joint ventures	308	311	–	–	42,036	7,063	42,344	7,374
Interests in associates	143,573	138,291	–	–	–	–	143,573	138,291
Capital expenditure	28,019	21,497	2,349	4,852	4,425	131	34,793	26,480
Reportable segment liabilities	2,156,941	1,558,223	97,744	117,562	28,861	26,985	2,283,546	1,702,770

NOTES TO THE FINANCIAL STATEMENTS

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

	2016 $'000	2015 $'000 Restated
Revenue		
Total revenue for reportable segments	981,870	443,199
Revenue for all other segments	5,108	2,042
Consolidated revenue	986,978	445,241
Profit or loss		
Total profit or loss for reportable segments	5,656	70,387
Profit or loss for all other segments	169	1,781
	5,825	72,168
Unallocated other corporate expenses	(1,361)	(2,604)
Share of losses of associates and joint ventures, net of income tax	(2,730)	(19,610)
Consolidated profit before income tax	1,734	49,954
Assets		
Total assets for reportable segments	3,428,549	2,730,738
Assets for all other segments	48,524	84,751
Investments in associates and joint ventures	185,917	145,665
Other unallocated amounts	180,343	75,378
Consolidated total assets	3,843,333	3,036,532
Liabilities		
Total liabilities for reportable segments	2,254,685	1,675,785
Liabilities for all other segments	28,861	26,985
Other unallocated amounts	10,772	21,734
Consolidated total liabilities	2,294,318	1,724,504

	All segments totals $'000	Reconciliations $'000	Consolidated totals $'000
Other material items in 2016			
Interest income	3,326	664	3,990
Finance costs	(61,995)	(366)	(62,361)
Capital expenditure	34,793	1,457	36,250
Depreciation, amortisation and impairment	(59,887)	(1,687)	(61,574)
Other material items in 2015 (Restated)			
Interest income	3,244	319	3,563
Finance costs	(42,313)	(477)	(42,790)
Capital expenditure	26,480	1,377	27,857
Depreciation, amortisation and impairment	(19,789)	(2,446)	(22,235)

NOTES TO THE FINANCIAL STATEMENTS

Geographical information

	Revenue $'000	Non-current assets $'000
31 December 2016		
Singapore	676,786	1,975,279
Middle East and North Africa	252,528	397,220
People's Republic of China	48,788	129,088
Others	8,876	43,367
	986,978	2,544,954

	Revenue $'000	Non-current assets $'000 Restated
31 December 2015		
Singapore	168,850	1,498,897
Middle East and North Africa	175,981	183,335
People's Republic of China	88,154	350,430
Others	12,256	8,365
	445,241	2,041,027

Major customer
Revenue from a grantor of the Group's municipal segment arising from service concession arrangement represents approximately $477,419,000 (2015: $139,064,000) 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 both an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received.

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

Other investment

The fair value of other investment 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.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. 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.

NOTES TO THE FINANCIAL STATEMENTS

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	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial receivables	11	1,045,308	560,680	–	–
Trade and other receivables *	13	392,167	241,254	1,840,567	1,818,755
Gross amounts due for contract work	15	69,656	128,126	–	–
Total receivables		1,507,131	930,060	1,840,567	1,818,755

* *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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Municipal	1,356,896	811,692	–	–
Industrial	35,175	53,425	–	–
Subsidiaries	–	–	1,834,499	1,802,072
Joint ventures	23,163	37,583	3	3
Associates	77,967	20,430	6,006	5,831
Others	13,930	6,930	59	10,849
	1,507,131	930,060	1,840,567	1,818,755

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 amounts due for contract work arising from construction projects, is assessed based on management's estimate on the recoverability of its gross amounts due for contract work, taking into consideration 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 amounts due for contract work is of acceptable risk based on the latest development on those discussions. As there was 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.

NOTES TO THE FINANCIAL STATEMENTS

Impairment losses

The ageing of trade and other receivables (excludes prepayments), financial receivables and gross amounts due for contract work at the reporting date were:

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Group				
Not past due	1,309,459	–	863,062	–
Past due 1 to 60 days	13,624	–	5,205	–
Past due 61 to 180 days	63,229	–	4,270	476
More than 180 days	162,242	41,423	109,266	51,267
	1,548,554	41,423	981,803	51,743
Company				
Not past due	1,840,567	–	1,818,755	–
More than 180 days	1,028	1,028	30,706	30,706
	1,841,595	1,028	1,849,461	30,706

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	51,743	38,418	30,706	29,212
Impairment loss/(write-back) recognised	(447)	(153)	1,000	–
Impairment loss written off	(10,112)	(6)	(30,706)	–
Acquisition of subsidiaries	–	11,975	–	–
Reclassification to assets held for sale	(616)	–	–	–
Effect of movements in exchange rates	855	1,509	28	1,494
At 31 December	41,423	51,743	1,028	30,706

During the year, the Group recorded a write back allowance for impairment of $2,471,000 and recognised impairment loss of $2,024,000 (2015: write back allowance for impairment of $153,000) 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 2016 and 2015 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 2016, 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 $321,781,000 as at 31 December 2016 (2015: $313,706,000), 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 2016, 73% (2015: 69%) 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 $279,610,000 (2015: $338,418,000). The period in which the financial guarantees expire are as follows:

	Company	
	2016	**2015**
	$'000	**$'000**
Within one year	110,135	57,569
From two to five years	80,136	140,058
More than five years	89,339	140,791
	279,610	338,418

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:

Group	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	From 2 to 5 years $'000	More than 5 years $'000
2016					
Non-derivative financial liabilities					
Bank overdraft	23,839	(23,839)	(23,839)	–	–
Variable interest rate loans	1,295,110	(1,586,748)	(316,736)	(558,027)	(711,985)
Fixed interest rate notes	264,603	(291,524)	(11,440)	(280,084)	–
Trade and other payables*	544,510	(544,510)	(544,510)	–	–
	2,128,062	(2,446,621)	(896,525)	(838,111)	(711,985)
Derivative financial instruments					
Futures contracts used for hedging (net-settled)	11,483	(11,483)	(11,483)	–	–
Foreign currency contracts used for hedging (gross-settled)	(2,347)	2,347	2,097	250	–
– outflow		(44,374)	(38,960)	(5,414)	–
– inflow		46,721	41,057	5,664	–
Fuel contracts used for hedging (net-settled)	(7,896)	7,896	7,886	10	–
Interest rate swaps used for hedging (net-settled)	25,423	(145,081)	(13,594)	(46,906)	(84,581)
	2,154,725	(2,592,942)	(911,619)	(884,757)	(796,566)

NOTES TO THE FINANCIAL STATEMENTS

		Cash flows			
Group	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	From 2 to 5 years $'000	More than 5 years $'000
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)
Derivative financial instruments					
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	(12,133)	(4,017)	(9,775)	1,659
	1,692,668	(1,926,986)	(972,321)	(538,597)	(416,068)
Company					
2016					
Non-derivative financial liabilities					
Variable interest rate loans	561,283	(577,870)	(233,795)	(344,075)	–
Fixed interest rate notes	264,603	(291,524)	(11,440)	(280,084)	–
Trade and other payables	29,829	(29,829)	(29,829)	–	–
Recognised financial liabilities	855,715	(899,223)	(275,064)	(624,159)	–
Intra-group financial guarantee	–	(279,610)	(110,135)	(80,136)	(89,339)
	855,715	(1,178,833)	(385,199)	(704,295)	(89,339)

Company	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	From 2 to 5 years $'000	More than 5 years $'000
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)	(57,569)	(140,058)	(140,791)
	990,047	(1,376,532)	(760,839)	(474,902)	(140,791)
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)	(758,112)	(474,902)	(140,791)

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

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 intra-group 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 144. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 the Group entities. The currencies in which these transactions primarily are denominated are 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:

	2016		2015	
	US dollars $'000	**Euro $'000**	**US dollars $'000**	**Euro $'000**
Group				
Trade and other receivables	220,550	2,601	84,660	5,173
Gross amounts due for contract work	29,996	–	67,962	–
Cash and cash equivalents	24,907	1,911	106,896	5,943
Loans and borrowings	(301,507)	(30,077)	(416,161)	(21,843)
Trade and other payables	(161,358)	(16,755)	(90,508)	(28,584)
Net statement of financial position exposure	(187,412)	(42,320)	(247,151)	(39,311)
Exposure hedged against forecasted purchase	(46,751)	–	(17,188)	(4,465)
Exposure hedged against bank borrowing	–	–	157,894	–
Net exposure	(234,163)	(42,320)	(106,445)	(43,776)
Company				
Trade and other receivables	484,566	47,062	459,630	64,039
Cash and cash equivalents	14,958	154	93,761	5,380
Loans and borrowings	(136,056)	(30,077)	(265,963)	(21,843)
Trade and other payables	(10,601)	(72)	(50,191)	(24)
Net statement of financial position exposure	352,867	17,067	237,237	47,552
Exposure hedged against bank borrowing	–	–	157,894	–
Net exposure	352,867	17,067	395,131	47,552

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 2015, 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 2016				
US dollars (10% strengthening)	23,416	4,675	(35,287)	–
Euro (10% strengthening)	4,232	–	(1,707)	–
31 December 2015				
US dollars (10% strengthening)	10,645	14,071	(39,513)	15,789
Euro (10% strengthening)	4,378	(446)	(4,755)	–

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

Interest rate risk

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

Exposure to interest rate risk

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

	Group Nominal value		Company Nominal value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fixed rate instruments				
Bank overdraft	(23,839)	(20,315)	–	–
Unsecured notes	(264,603)	(419,392)	(264,603)	(419,392)
Interest rate swaps used for hedging	(310,490)	(230,000)	–	–
	(598,932)	(669,707)	(264,603)	(419,392)

The Group designated interest rate swaps as hedges against variability in cash flows attributable to interest rate fluctuations. As at 31 December 2016, the Group receives floating interest, and pays a fixed rate of interest at 4.02% and 5.82% (2015: 5.57%) per annum for two of the borrowings with notional amount of $310,490,000 (2015: $230,000,000).

NOTES TO THE FINANCIAL STATEMENTS

	Group Nominal value		Company Nominal value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Variable rate instruments				
Variable interest rate loans	(1,295,110)	(984,224)	(561,283)	(500,832)
Interest rate swaps used for hedging	310,490	230,000	–	–
	(984,620)	(754,224)	(561,283)	(500,832)

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 2015.

	Profit before income tax	
	75 bp increase $'000	75 bp decrease $'000
Group		
31 December 2016		
Variable rate instruments	(7,385)	7,385
31 December 2015		
Variable rate instruments	(5,657)	5,657
Company		
31 December 2016		
Variable rate instruments	(4,210)	4,210
31 December 2015		
Variable rate instruments	(3,756)	3,756

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	
	2016	**2015**
	$'000	**$'000**
Fuel contracts	40,432	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 2016		
Fuel contracts	(12,665)	12,665
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.

NOTES TO THE FINANCIAL STATEMENTS

Accounting classifications and fair values

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

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
31 December 2016									
Financial assets carried at fair value									
Derivatives	13	–	11,068	–	11,068	–	11,068	–	11,068
Financial assets not carried at fair value									
Cash and cash equivalents	17	321,781	–	–	321,781				
Trade and other receivables*	13	381,099	–	–	381,099				
Financial receivables	11	1,045,308	–	–	1,045,308	–	1,141,048	–	1,141,048
Gross amounts due for contract work	15	69,656	–	–	69,656				
		1,817,844	11,068	–	1,828,912				
Financial liabilities carried at fair value									
Derivatives	18	–	(37,731)	–	(37,731)	(11,483)	(26,248)	–	(37,731)
Financial liabilities not carried at fair value									
Secured bank loans	19	–	–	(563,832)	(563,832)				
Unsecured bank loans	19	–	–	(730,441)	(730,441)				
Unsecured notes	19	–	–	(264,603)	(264,603)	–	(261,993)	–	(261,993)
Unsecured shareholder loan	19	–	–	(837)	(837)				
Trade and other payables#	18	–	–	(544,510)	(544,510)				
Bank overdraft	19	–	–	(23,839)	(23,839)				
		–	(37,731)	(2,128,062)	(2,165,793)				

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2015										
Financial assets carried at fair value										
Other investment	10	542	–	–	–	542	–	–	542	542
Derivatives	13	–	–	4,364	–	4,364	1,085	3,279	–	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)				

* *Excludes derivatives (shown separately) and prepayments*

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

NOTES TO THE FINANCIAL STATEMENTS

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company									
31 December 2016									
Financial assets not carried at fair value									
Cash and cash equivalents	17	185,482	–	–	185,482				
Trade and other receivables*	13	1,840,567	–	–	1,840,567				
		2,026,049	–	–	2,026,049				
Financial liabilities not carried at fair value									
Unsecured bank loans	19	–	–	(561,283)	(561,283)				
Unsecured notes	19	–	–	(264,603)	(264,603)	–	(262,311)	–	(262,311)
Trade and other payables	18	–	–	(29,829)	(29,829)				
		–	–	(855,715)	(855,715)				
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)				

* *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	
	2016	**2015**
Unsecured notes	4.3%	4.0%
Financial receivables	2.73% - 5.57%	2.86% - 3.51%

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

NOTES TO THE FINANCIAL STATEMENTS

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	
	2016	**2015**
	$'000	**$'000**
		Restated
Loans and borrowings	1,583,552	1,423,949
Less: Cash and cash equivalents	(321,781)	(313,706)
Net debt	1,261,771	1,110,243
Total equity	1,549,015	1,312,028
Net gearing (times)	0.81	0.85

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 27 April 2016. No share purchase was made in 2016. The Mandate is subject to renewal annually by shareholders at the AGM.

There was no change 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 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 and debt to equity ratio.

These externally imposed capital requirements have been complied with by the Company and the relevant subsidiaries for the financial year ended 31 December 2016.

31 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within one year	17,848	19,917
From two to five years	49,978	55,676
More than five years	92,606	102,772
	160,432	178,365

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 2016,

- the Group has outstanding capital commitments relating to property, plant and equipment of $7,310,000 (2015: $8,285,000); and
- the Company has outstanding capital commitments relating to TuasOne waste-to-energy (WTE) plant of $68,567,000.

NOTES TO THE FINANCIAL STATEMENTS

33 CONTINGENCIES

The Group has potential contingencies arising from the delayed completion of the construction of the Magtaa desalination plant in Algeria in its capacity as the Engineering, Procurement and Construction (EPC) contractor. In 2013, the Group filed for extension of time which would invalidate the liquidated damages claim made in 2012 by the project owner. At the same time, the Group also filed a counter-claim amount, arising from the additional work and costs incurred for prolonged delay. The departure from the contractual completion date was primarily caused by various reasons that were beyond the control of the Group, including a fire that broke out in July 2011 which destroyed key materials and equipment, as well as delay in testing and commissioning works due to, amongst other things, lack of power supply by the local government and readiness of the external distribution facilities to take the water. The plant has since started operations. As at 31 December 2016, the Group and the project owner have arrived at an agreement to refer the matters relating to delay penalties and prolongation costs to an independent expert for determination.

In another desalination project in Algeria which was completed and handed over in 2011, the Group has potential contingencies arising from the delayed completion of the desalination plant in its capacity as the EPC contractor. The project owner claimed for full contractual liquidated damages due to the delay in completion under the EPC contract. On its part, the Group claimed for an extension of the contractual completion date as it had been prevented by the project owner from commencing testing and commissioning works sooner than it was eventually allowed to do so. Furthermore, the Group, in its capacity as the Operation and Maintenance contractor, has a claim against the project owner for unpaid mobilisation fees that it is contractually entitled to. As at 31 December 2016, 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 2016, 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 2016, the outcome of the Arbitration remains uncertain.

As at 31 December 2016, the Group recorded net provision of $20,000,000 (2015: $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	
	2016	**2015**
	$'000	**$'000**
Directors' fees	580	520
Short-term employee benefits	2,644	3,146
Share-based payments	62	206
	3,286	3,872
Comprise amounts paid/payable to:		
– Directors of the Company	596	543
– Other key management personnel	2,690	3,329
	3,286	3,872

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Joint ventures				
Revenue from construction contracts	5,641	8,703	11,596	28,667
Revenue from maintenance contracts	6,233	6,333	6,333	5,510
Rental income	–	–	1,595	1,509
Service income	2,718	2,465	1,465	927

NOTES TO THE FINANCIAL STATEMENTS

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Associates				
Revenue from construction contracts	1,326	–	94,676	34,825
Revenue from maintenance contracts	30,210	26,606	39,740	21,235
Service income	127	86	140	39

35 SUBSEQUENT EVENTS

On 23 January 2017, the Group fully redeemed the perpetual capital securities with principal amount of $300,000,000 bearing distributions at a rate of 5.75% per annum.

On 7 February 2017, the Group announced significant investments in automation to increase manufacturing productivity on the commercialisation of advanced membrane technologies; and the development and launch of its flagship ELO lab in central Singapore in the third quarter of 2017.

On 13 February 2017, the Group signed a Memorandum of Understanding with the Saudi Arabia state-owned Saline Water Conversion Corporation (SWCC) to deliver three seawater reverse osmosis desalination plants valued at US$180 million in the Kingdom of Saudi Arabia. The formal letter of Award from SWCC was received on 24 February 2017.

On 15 February 2017, the Group entered into agreement with Changi General Hospital to conduct first human clinical trials of ELO Water on diabetes.

On 15 March 2017, the Group completed the divestment of Galaxy NewSpring Pte. Ltd. (Galaxy). Remaining sales proceeds of US$126.5 million and the short-term loan to the joint venture of US$56.1 million (S$81.3 million equivalent) was received upon completion.

SUPPLEMENTARY INFORMATION

MAJOR PROPERTIES AS AT 31 DECEMBER 2016

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 7 MARCH 2017

ORDINARY SHARES

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

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares (Excluding Treasury Shares)	%
1 - 99	64	0.37	1,996	0.00
100 - 1,000	1,151	6.54	944,094	0.12
1,001 - 10,000	11,452	65.11	58,466,025	7.44
10,001 - 1,000,000	4,890	27.80	179,973,248	22.92
1,000,001 AND ABOVE	32	0.18	545,899,626	69.52
TOTAL	**17,589**	**100.00**	**785,284,989**	**100.00**

TWENTY LARGEST ORDINARY SHAREHOLDERS

No.	Name	No. of Ordinary Shares	%
1	OLIVIA LUM OOI LIN	267,351,211	34.05
2	CITIBANK NOMINEES SINGAPORE PTE LTD	77,489,955	9.87
3	DBS NOMINEES (PRIVATE) LIMITED	70,240,139	8.94
4	RAFFLES NOMINEES (PTE) LIMITED	24,270,061	3.09
5	HSBC (SINGAPORE) NOMINEES PTE LTD	16,287,828	2.07
6	MURUGASU DEIRDRE	12,306,267	1.57
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,802,818	1.25
8	LIM & TAN SECURITIES PTE LTD	7,995,100	1.02
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	6,662,803	0.85
10	PHILLIP SECURITIES PTE LTD	6,488,207	0.83
11	UOB KAY HIAN PRIVATE LIMITED	6,163,605	0.78
12	DBSN SERVICES PTE. LTD.	5,153,553	0.66
13	YONG SIEW YOON	2,800,000	0.36
14	LEE PINEAPPLE COMPANY PTE LTD	2,750,000	0.35
15	LEE SENG TEE	2,550,000	0.32
16	DB NOMINEES (SINGAPORE) PTE LTD	2,439,898	0.31
17	OCBC SECURITIES PRIVATE LIMITED	2,262,821	0.29
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,102,794	0.27
19	GAY CHEE CHEONG	2,000,000	0.25
20	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,928,941	0.25
	TOTAL	**529,046,001**	**67.38**

Approximately 65.36% of the Company's ordinary shares are held in the hands of the public.
Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

STATISTICS OF SHAREHOLDINGS
AS AT 7 MARCH 2017

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	14,072	67.96	593,690	14.84
100 - 1,000	6,246	30.17	1,474,030	36.85
1,001 - 10,000	373	1.80	832,590	20.82
10,001 - 1,000,000	15	0.07	1,099,690	27.49
TOTAL	**20,706**	**100.00**	**4,000,000**	**100.00**

TWENTY LARGEST PREFERENCE SHAREHOLDERS

No.	Name	No. of Preference Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	503,508	12.59
2	RAFFLES NOMINEES (PTE) LIMITED	154,230	3.86
3	CITIBANK NOMINEES SINGAPORE PTE LTD	153,940	3.85
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	58,410	1.46
5	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	39,240	0.98
6	RONNY SIM	36,020	0.90
7	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	33,730	0.84
8	PHILLIP SECURITIES PTE LTD	22,990	0.57
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,870	0.47
10	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	17,052	0.43
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	16,860	0.42
12	HSBC (SINGAPORE) NOMINEES PTE LTD	12,710	0.32
13	TAY SOI LEE @ TAY LEE TEE	11,000	0.28
14	GOH EE CHEONG, SUZAN	10,800	0.27
15	OCBC SECURITIES PRIVATE LIMITED	10,330	0.26
16	ASEAN FINANCE CORPORATION LTD A.K.A AFC MERCHANT BANK	10,000	0.25
17	TAY HUI LENG (ZHENG HUILING)	9,400	0.24
18	DB NOMINEES (SINGAPORE) PTE LTD	8,920	0.22
19	OLIVIA LUM OOI LIN	8,020	0.20
20	RELIANCE MGT PTE LTD	7,910	0.20
	TOTAL	**1,143,940**	**28.61**

SUBSTANTIAL ORDINARY SHAREHOLDERS
AS AT 7 MARCH 2017

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

CORPORATE INFORMATION

BOARD OF DIRECTORS
Olivia Lum Ooi Lin (Executive Chairman and Group CEO)
Teo Kiang Kok (Lead Independent Director)
Lee Joo Hai (Non-Executive Independent Director)
Gay Chee Cheong (Non-Executive Independent Director)
Christopher Murugasu (Non-Executive Independent Director)
Simon Tay (Non-Executive Independent Director)
Lau Wing Tat (Non-Executive Independent Director)
Gary Kee Eng Kwee (Non-Executive Non-Independent Director)

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

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 FY2016):
Quek Shu Ping

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

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

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

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

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

CTBC Bank Co., Ltd
Singapore Branch
8 Marina View #33-02
Asia Square Tower 1
Singapore 018960

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

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

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

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

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

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

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

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

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

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

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

Mega International Commercial Bank Co.,Ltd.
Singapore Branch
80 Raffles Place #23-20
UOB Plaza 2
Singapore 048624

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

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

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

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

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

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

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

United Overseas Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

HYFLUX GROUP OF COMPANIES

SINGAPORE
AcquaSpring Utility (Benghazi) Pte Ltd
AcquaSpring Utility (S) Pte Ltd
AcquaSpring Utility (Tobruk) Pte Ltd
AcquaSpring Utility (Tripoli East) Pte Ltd
Bendemeer Infrastructure Pte Ltd
Eflux Singapore Pte Ltd
Elo Siloam Pte Ltd
Elo Water Pte Ltd
HIH DahejSpring Desalination Pte Ltd
H.J. Technical Consultant Pte Ltd
Hydrochem (S) Pte Ltd
Hydrochem Desalination Technologies (Singapore) Pte Ltd
Hydrochem Engineering (S) Pte Ltd
Hydrochem Membrane Products (Singapore) Pte Ltd
Hyflux Academy Pte Ltd
Hyflux Aquosus (Singapore) Pte Ltd
Hyflux Asset Management Pte Ltd
Hyflux Capital (Singapore) Pte Ltd
Hyflux Caprica Pte Ltd
Hyflux Cleantech Pte Ltd
Hyflux Construction Engineering (Singapore) Pte Ltd
Hyflux Consumer Products 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 Oasis International Pte Ltd
Hyflux O&M Pte Ltd
Hyflux SIP Pte Ltd
Hyflux Utility (India) Pte Ltd
Hyflux Utility (Indonesia) Pte Ltd
Hyflux Utility (Oman) Pte Ltd
Hyflux Utility (YN) Pte Ltd
Hyflux Utility WT (HCWT) Pte Ltd
Hyflux Utility WTP (FN) Pte Ltd
Hyflux Utility WTP (NNWT) Pte Ltd
Hyflux Utility WWT (HCCJ) 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 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
TuasOne Pte Ltd
TuasOne Environmental Engineering Pte Ltd
Yewa Water Company Pte Ltd

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

HONG KONG
H.J. NewSpring Limited
Hyflux Utility Water Limited
Hyflux Utility (DF) Limited
Hyflux Utility (HLD) Limited
Hyfluxshop Hong Kong Limited
(formerly known as Hyflux Utility (PJ) Limited)
Hyflux Utility (TJ) Limited
Hyflux Utility (YL) Limited
Hyflux Utility WT (LY) Limited
Hyflux Utility WT (XC) Limited
Hyflux Utility WT (YL) Limited
Hyflux Utility WT (YKG) Limited
Hyflux Utility WWT (BC) Limited
Hyflux Utility WWT (GY) Limited
Hyflux Utility WWT (XC) Limited
Hyflux Utility WWT (YL) Limited
Hyflux Utility WWT (YKG) Limited
Hyflux Utility WWTP (GY) Limited
Tus Water Group Limited

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

EUROPE
France
Tlemcen Desalination Investment Company SAS

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

Netherlands Antilles
Hyflux CEPAration N.V.

Hungary
Kaqun Europe Kereskedelmi Zártkörűen Működő Részvénytársaság

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

INDONESIA
PT Oasis Waters International

MALAYSIA
Elowater Malaysia Sdn Bhd
Lautan Biru (L) Berhad

MIDDLE EAST AND AFRICA
Oman
Channel Environmental Technology LLC
(in the process of liquidation)
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

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

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Hyflux Ltd
Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949

Company Reg. No.: 200002722Z

www.hyflux.com