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HYFLUX LTD
Company Registration No.: 200002722Z
(Incorporated in the Republic of Singapore)

OFFER OF UP TO S$300,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 6.00 PER CENT. (SUBJECT TO RESET/STEP-UP FROM AND INCLUDING 27 MAY 2020 AND EACH SUCCESSIVE DATE FALLING EVERY FOUR YEARS THEREAFTER) PERPETUAL CAPITAL SECURITIES TO (1) THE PUBLIC IN SINGAPORE, (2) DIRECTORS, MANAGEMENT AND EMPLOYEES OF THE ISSUER AND ITS SUBSIDIARIES AND (3) INSTITUTIONAL AND OTHER INVESTORS, SUBJECT TO THE INCREASE OF OFFER SIZE IN THE EVENT OF OVERSUBSCRIPTION, THE REALLOCATION BETWEEN THE PUBLIC OFFER, THE RESERVE OFFER AND THE PLACEMENT AND THE RIGHT TO CANCEL THE OFFER (THE "OFFER")

1. Introduction

Hyflux Ltd (the "**Issuer**") wishes to announce its Offer of up to S$300,000,000 in aggregate principal amount of 6.00 per cent. (subject to reset/step-up from and including 27 May 2020 (the "**Step-Up Date**") and each successive date falling every four years thereafter (each, including the Step-Up Date, a "**Reset Date**")) perpetual capital securities (the "**Securities**") comprising:

(a) an offer of up to S$230,000,000 in aggregate principal amount of Securities at the issue price of 100 per cent. to the public in Singapore through electronic applications (the "**Public Offer**");

(b) an offer of up to S$20,000,000 in aggregate principal amount of Securities at the issue price of 100 per cent. to the directors, management and employees of the Issuer and its subsidiaries (the "**Reserve Offer**"); and

(c) an offer of up to S$50,000,000 in aggregate principal amount of Securities at the issue price of 100 per cent. to institutional and other investors which are non-U.S. persons, outside the United States in offshore transactions (in each case as defined in Regulation S under the U.S. Securities Act of 1933, as amended ("**Regulation S**")) in reliance on Regulation S (the "**Placement**"),

provided that:

(1) in the event of oversubscription under the Public Offer and/or the Placement, the Issuer may, at its discretion and in consultation with the Sole Lead Manager and Bookrunner (as defined herein), increase the issue size of the Securities under the Public Offer and/or the Placement, subject to a maximum issue size of S$500,000,000 in aggregate principal amount of Securities;

(2) the Issuer may, in the event of oversubscription or otherwise, at its discretion and in consultation with the Sole Lead Manager and Bookrunner, reallocate and/or determine the final allocation of the aggregate principal amount of Securities offered between the Public Offer, the Reserve Offer and the Placement, provided always that the aggregate principal amount of the Securities to be issued under the Reserve Offer shall not exceed 10 per cent. of the final issue size of the Securities and in any event shall not exceed S$20,000,000 in aggregate principal amount of Securities; and

(3) the Issuer reserves the right to cancel the Offer in the event that less than S$100,000,000 in aggregate principal amount in applications are received under the Offer.

The issue price of the Securities is S$1 per S$1 in principal amount of the Securities (being 100 per cent. of the principal amount of the Securities).

The actual aggregate principal amount of Securities to be allocated between the Public Offer, the Reserve Offer and the Placement will be finalised on or prior to the issue date of the Securities.

The sole lead manager and bookrunner (the "**Sole Lead Manager and Bookrunner**") for the Offer is DBS Bank Ltd.

Each Security confers a right to receive distributions on its outstanding principal amount from the Issue Date (as defined in the Offer Information Statement (as defined below)) at the applicable Distribution Rate (as defined below).

Distributions shall be payable semi-annually in arrear on 27 May and 27 November of each year (each, a "**Distribution Payment Date**"), with the first payment of distributions being scheduled to be made on 27 November 2016.

The rate of distribution (the "**Distribution Rate**") applicable to each Security shall be:

(a) in respect of each Distribution Payment Date in the period from, and including, the Issue Date to, but excluding, 27 May 2020, 6.00 per cent. per annum; and

(b) in respect of each Distribution Payment Date in the period from, and including, the Step-Up Date and each Reset Date to, but excluding, the immediately following Reset Date, the Reset Distribution Rate (as defined below).

The Reset Distribution Rate means the Swap Offer Rate (as defined in the terms and conditions of the Securities (the "**Terms and Conditions**")) with respect to the relevant Reset Date plus the initial spread at 4.20 per cent. per annum plus the step-up margin of 2.00 per cent. per annum.

For illustrative examples of how the Distribution Rate is calculated, please see the section entitled "**HOW THE DISTRIBUTION RATE AND THE RESET DISTRIBUTION RATE ARE CALCULATED**" in the offer information statement to be lodged by the Issuer (the "**Offer Information Statement**").

Full details of the Terms and Conditions will be set out in the Offer Information Statement (together with the product highlights sheet, prepared by the Issuer (the "**Product Highlights Sheet**")) with the Monetary Authority of Singapore (the "**MAS**") in connection with the Offer. An announcement containing further information on the Offer, the principal terms of the Securities, the expected timetable of key events of the Offer and the detailed method of application and payment for the Securities will be made after the lodgment of the Offer Information Statement and the Product Highlights Sheet with the MAS.

2. Listing Approval for the Securities

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") had, on 26 April 2016, granted its in-principle approval for the listing and quotation of the Securities on the Mainboard of the SGX-ST, subject to certain conditions. Such approval should not be taken as an indication of the merits of the Issuer, its subsidiaries, associated companies (if any) and joint ventures (if any), the Securities or the Offer. The Securities are expected to be listed on the SGX-ST on 30 May 2016. For the purpose of trading on the Mainboard of the SGX-ST, each board lot of Securities will comprise S$1,000 in principal amount of Securities.

The listing approval is subject to the following conditions:

(a) the conditions referred to in the SGX-ST's Waivers and Qualifications Letter (as defined herein), in relation to the waivers and qualifications granted in connection with the issue of the Securities, being met;

(b) adequate disclosure of all risks and material information in the Offer Information Statement in respect of the Securities to enable investors to make an informed decision on the Securities; and

(c) the submission of the following:

(i) a written undertaking from the Issuer to make periodic announcements as and when proceeds from the Securities are materially disbursed, and to provide a status report on the use of the proceeds in the annual reports of the Issuer**;**

(ii) a written confirmation from the directors of the Issuer that a suitable trustee has been appointed prior to the issue of debt securities as required under Rule 308(4) of the listing manual of the SGX-ST (the "**Listing Manual**");

(iii) a written undertaking from the Issuer in the format set out in Appendix 2.3.1 of the Listing Manual;

(iv) a copy of the other documents required under Rule 315 of the Listing Manual, such as the signed subscription agreement, agent bank agreement, fiscal and agency agreement; and

(v) a copy of the documents, such as a deed poll, that may be applicable to the issue of debt securities, as required under Rule 314 of the Listing Manual.

3. Waivers and Qualifications from Compliance with the Listing Manual

The SGX-ST had, on 7 April 2016, granted certain waivers and qualifications from the Listing Rules more particularly set out below (the "**Waivers and Qualifications Letter**").

Waivers

The SGX-ST had granted waivers from compliance with Rule 308(8)(a), Rule 308(8)(b) and Rule 308(8)(c) of the Listing Manual in connection with the listing and quotation of the Securities to be issued by the Issuer on the SGX-ST (collectively, the "**Waivers**"), subject to the Issuer's shares being listed on the SGX-ST and an immediate announcement (when the Issuer has the obligation to announce the issue of the Securities) of the Waivers granted by the SGX-ST, the reasons for the Issuer's application and the conditions attached to the Waivers granted by the SGX-ST (as required under Rule 107 of the Listing Manual).

The lssuer's reasons for seeking waivers of the above-mentioned rules are as follows:

(a) with respect to Rule 308(8)(a) of the Listing Manual:

(i) first, in respect of the requirement under Rule 308(8)(a) for the inclusion of a provision in the trust deed (the "**Trust Deed**") to be entered into between the Issuer and Perpetual (Asia) Limited, as trustee for the holders of the Securities (the "**Trustee**")

limiting the amount that the Issuer may borrow, the Terms and Conditions (which will be reproduced in the Offer Information Statement for the consideration of prospective investors) will not impose any financial covenants, financial ratios or other borrowing limits on the Issuer and second, in any event, the imposition of any such borrowing limits on the Issuer should remain a commercial consideration for the Issuer, the Sole Lead Manager and Bookrunner and their respective advisers to determine; and

(ii) second, in respect of the requirement under Rule 308(8)(a) for the inclusion of a provision in the Trust Deed setting out restrictions relating to the accounting treatment on the Issuer's assets and entities which the Issuer may make advances to or investments in, such restrictions are unduly restrictive. The accounting treatment on the assets of the Issuer should be left to the interpretation of the Singapore accounting standards and practices. Further, any restrictions on the entities which the Issuer may make advances to or investments in is ultimately a commercial consideration for the Issuer and the Sole Lead Manager and Bookrunner to determine;

(b) with respect to Rule 308(8)(b) of the Listing Manual, whether or not the Trustee should have the right to request for a guarantor for the Securities upon the occurrence of certain events (as contemplated in Rule 308(8)(b) of the Listing Manual) is ultimately a commercial consideration. The Issuer, the Sole Lead Manager and Bookrunner, the Trustee and their respective advisers should be given the flexibility to determine how best to address these situations as and when such events occur, taking into account the prevailing circumstances at that point in time;

(c) with respect to Rule 308(8)(c) of the Listing Manual:

(i) first, the Issuer, being a listed company on the SGX-ST, is already subject to the disclosure regime of the SGX-ST (including the continuing disclosure obligations under Chapter 7 of the Listing Manual to disclose material information on an ongoing and timely basis). The Issuer is also required by the Listing Manual to announce its financial statements for each quarter of its financial year;

(ii) second, the Securities are intended to be listed on the Mainboard of the SGX-ST and pursuant to Rule 745 of the Listing Manual, the Issuer is required to immediately disclose to the SGX-ST via SGXNET any information which may have a material effect on the price or value of the Securities or on an investor's decision whether to trade in the Securities; and

(iii) therefore, the disclosure of the abovementioned information will invariably be more immediate and relevant than the information to be disclosed in a quarterly report required pursuant to Rule 308(8)(c) of the Listing Manual.

<u>Qualifications</u>

The SGX-ST has, in the Waivers and Qualifications Letter, further allowed:

(a) a qualification of Rule 308(7) of the Listing Manual to the effect that:

(i) the Issuer need only make available for the Trustee's inspection, subject to any written law for the time being in force, its financial and other records during office hours; and

(ii) provided that so long as no enforcement event has occurred under the Terms and Conditions, the Issuer's obligation to provide the Trustee its financial and other records for inspection shall not extend to information which is of a confidential, price sensitive or proprietary nature.

(b) a qualification of Rule 308(8)(d) of the Listing Manual to allow the Issuer to provide:

(i) the Issuer's audited full year consolidated accounts to the Trustee within 120 days after the end of each financial year;

(ii) the Issuer's unaudited half-yearly consolidated accounts (if any) to the Trustee within 60 days after the end of each financial half year; and

(iii) the Issuer's unaudited consolidated quarterly accounts to the Trustee within 45 days after the end of each financial quarter.

4. Further Information

Details of the Offer will be set out in the Offer Information Statement and the Product Highlights Sheet. An announcement containing further information on the Offer, the principal terms of the Securities, the expected timetable of key events of the Offer and the detailed method of application and payment for the Securities will be made after the lodgment of the Offer Information Statement and the Product Highlights Sheet with the MAS.

By Order of the Board

Lim Poh Fong
Company Secretary
17 May 2016

Important Notice

Investors should note that the Securities are perpetual in nature and, unlike plain vanilla bonds, do not have a fixed redemption date. Investors will only receive all or part of their investment amount if the Securities are (i) redeemed at the option of the Issuer in accordance with the Terms and Conditions, in which case investors should receive the principal amount, together with distribution accrued (if any) or (ii) sold in the open market at the prevailing market price, in which case the investor may incur losses if the proceeds from the sale is less than the original investment. In addition, investors should also note that, as with typical perpetual capital securities, payment of distributions under the Securities may also be deferred for an indefinite period and investors have no recourse to the Issuer if such deferral is made in accordance with the Terms and Conditions.

No communication and no information in respect of this transaction may be distributed to the public in any jurisdiction where a registration or approval is required. No steps have been or will be taken in any jurisdiction (other than Singapore) where such steps would be required. The issue, the subscription for or the purchase of the Securities may be subject to specific legal or regulatory restrictions in certain jurisdictions. The Issuer assumes no responsibility for any violation of any such restrictions by any person.

This Announcement does not constitute or form a part of any offer for sale or solicitation to purchase or subscribe for securities in the United States. The Securities may not be offered,

subscribed or sold in the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) absent registration under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements thereof. The Securities have not been and will not be registered under the Securities Act and the Issuer does not intend to make a public offer of its securities in the United States. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Issuer and will contain detailed information about the Issuer and management, as well as financial statements.

The distribution of this Announcement in certain countries may constitute a breach of applicable law. This Announcement is for information purposes only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or acquire, the Securities in any jurisdiction, including in the United States, in which such an offer or solicitation is unlawful. No person should subscribe for or acquire any Securities except on the basis of the information contained in the Offer Information Statement and the Product Highlights Sheet.

This Announcement may not be published, forwarded or distributed, directly or indirectly, in the United States (including its territories and possessions, any State of the United States, and the District of Columbia).

The information contained in this Announcement is qualified in its entirety by, and should be read in conjunction with, the full text of the Offer Information Statement and the Product Highlights Sheet. Anyone wishing to subscribe for the Securities should read the Offer Information Statement and the Product Highlights Sheet in full and must make an application in the manner set out in the Offer Information Statement.