



HYFLUX LTD
Registration number : 200002722Z

Unaudited Third Quarter and Nine Months Financial Statements For The Period Ended 30 September 2018

These unaudited financial statements must be read in conjunction with paragraph 4. The basis of preparation for the consolidated income statement and consolidated statement of financial position is consistent with the basis of preparation as set out in the court affidavit dated 1 March 2019.

1 (a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT

For the third quarter and nine months ended 30 September 2018

	Group					
	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2018	2017	Change	2018	2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		Restated			Restated	
Revenue	24,653	98,019	(75)	67,855	271,304	(75)
Other income	21,241	13,456	58	54,189	58,187	(7)
Changes in inventories of finished goods and work-in-progress	1,367	1,679	(19)	4,209	1,425	>100
Raw materials and consumables used and subcontractors' costs	(23,960)	(52,263)	(54)	(85,738)	(124,397)	(31)
Staff costs	(21,902)	(23,008)	(5)	(72,763)	(70,425)	3
Depreciation and amortisation	(4,761)	(5,513)	(14)	(13,651)	(14,944)	(9)
Impairment loss	(916,462)	-	NM	(916,462)	-	NM
Other expenses	(40,598)	(20,140)	>100	(83,190)	(61,379)	36
Finance costs	(21,785)	(14,448)	51	(55,420)	(42,568)	30
Share of equity-investees (net of tax)	812	229	>100	1,754	3,093	(43)
(Loss)/Profit before tax	(981,395)	(1,989)	>100	(1,099,217)	20,296	NM
Tax credit	7,996	3,134	>100	21,732	1,627	>100
(Loss)/Profit for the period excluding Tuaspring¹	(973,399)	1,145	NM	(1,077,485)	21,923	NM
Results of Tuaspring, net of tax	(29,647)	(26,591)	11	(69,820)	(74,497)	(6)
Loss for the period	(1,003,046)	(25,446)	>100	(1,147,305)	(52,574)	>100
(Loss)/Profit (excluding Tuaspring) attributable to:						
Owners of the Company	(948,103)	(362)	>100	(1,049,078)	21,488	NM
Non-controlling interests	(25,296)	1,507	NM	(28,407)	435	NM
(Loss)/Profit for the period excluding Tuaspring	(973,399)	1,145	NM	(1,077,485)	21,923	NM



CONSOLIDATED INCOME STATEMENT

For the third quarter and nine months ended 30 September 2018

	Group					
	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2018	2017	Change	2018	2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Restated			Restated		
Loss attributable to:						
Owners of the Company	(977,750)	(26,953)	>100	(1,118,898)	(53,009)	>100
Non-controlling interests	(25,296)	1,507	NM	(28,407)	435	NM
Loss for the period	<u>(1,003,046)</u>	<u>(25,446)</u>	>100	<u>(1,147,305)</u>	<u>(52,574)</u>	>100

NM: Not Meaningful

Note:

1. As announced in February 2017, the Group initiated a partial divestment of Tuaspring Integrated Water and Power Plant ("Tuaspring"), subject to relevant regulatory approvals. Following the announcement, the statement of comprehensive income has been presented to show the results of Tuaspring separately from other operations.



1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the third quarter and nine months ended 30 September 2018

	Group					
	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2018	2017	Change	2018	2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Restated		Restated			
Loss for the period	(1,003,046)	(25,446)	>100	(1,147,305)	(52,574)	>100
Other comprehensive loss:						
<u>Items that are or may be subsequently reclassified to profit or loss</u>						
Foreign currency translation differences	(7,631)	(174)	>100	(4,388)	(5,976)	(27)
Effective portion of changes in fair value of cash flow hedges	1,847	3,460	(47)	20,152	(26,519)	NM
Loss on disposal of a subsidiary	-	-	NM	2,077	-	NM
Gain on disposal of a joint venture	-	-	NM	-	(15,611)	NM
Share of other comprehensive income of equity-accounted investees	(718)	(4,849)	(85)	(197)	(8,901)	>100
Other comprehensive (loss)/profit for the period, excluding Tuaspring¹	(6,502)	(1,563)	>100	17,644	(57,007)	NM
Other comprehensive profit/(loss) of Tuaspring	1,704	5,036	(66)	15,301	(14,001)	NM
Total comprehensive loss for the period	(1,007,844)	(21,973)	>100	(1,114,360)	(123,582)	>100
Total comprehensive loss attributable to:						
Owners of the Company	(982,958)	(23,601)	>100	(1,092,895)	(115,924)	>100
Non-controlling interests	(24,886)	1,628	NM	(21,465)	(7,658)	>100
Total comprehensive loss for the period	(1,007,844)	(21,973)	>100	(1,114,360)	(123,582)	>100

NM: Not Meaningful

Note:

1. As announced in February 2017, the Group initiated a partial divestment of Tuaspring Integrated Water and Power Plant ("Tuaspring"), subject to relevant regulatory approvals. Following the announcement, the statement of comprehensive income has been presented to show the results of Tuaspring separately from other operations.



NOTES TO CONSOLIDATED INCOME STATEMENT

1 (a)(iii) (Loss)/Profit before income tax of the Group is arrived at after (charging)/crediting the following: -

	Group					
	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2018	2017	Change	2018	2017	Change
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Interest income	13,209	12,662	4	39,519	38,176	4
Net foreign currency exchange loss	(3,417)	(2,434)	40	(5,131)	(6,329)	(19)
Gain on disposal of a joint venture	-	-	NM	-	16,491	NM
Gain on deconsolidation of subsidiary	-	-	NM	3,630	-	NM
Changes in tax estimates related to prior years	1,020	-	NM	1,159	1,954	(41)
Impairment loss on investment in joint venture	(1,402)	-	NM	(1,402)	-	NM
Impairment loss on intangible assets	(12,908)	-	NM	(12,908)	-	NM
Impairment loss on property, plant and equipments	(8,647)	-	NM	(8,647)	-	NM
Impairment loss on service concession receivables	(26,534)	-	NM	(26,534)	-	NM
Provision/write off	(2,160)	-	NM	(2,160)	-	NM
Impairment loss on intangible assets arising from service concession arrangements	(805,132)	-	NM	(805,132)	-	NM
Impairment loss on inventories	(220)	-	NM	(220)	-	NM
(Impairment loss)/Write back on trade and other receivables (net)	(59,459)	452	NM	(59,459)	610	NM

NM: Not Meaningful



1(b)(i) Statements of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2018

	Group		Company	
	30 Sep 18 S\$'000	31 Dec 17 S\$'000	30 Sep 18 S\$'000	31 Dec 17 S\$'000
ASSETS				
Property, plant and equipment	116,006	121,115	-	-
Intangible assets and goodwill	5,470	21,023	-	-
Subsidiaries	-	-	164,553	298,874
Associates and joint ventures	182,082	190,664	22,962	16,475
Deferred tax assets	38,366	17,115	-	-
Other investments	20,000	-	20,000	-
Service concession receivables	1,081,391	1,157,945	-	-
Trade and other receivables, including derivatives	6,543	3,000	279,602	895,791
Non-current assets	1,449,858	1,510,862	487,117	1,211,140
Contract assets	50,961	42,895	-	-
Inventories	44,926	48,999	-	-
Service concession receivables	6,201	6,219	-	-
Trade and other receivables, including derivatives	177,495	248,791	319,526	791,197
Cash and cash equivalents	193,718	314,168	26,593	97,269
Assets held for sale	651,053	1,481,291	-	-
Current assets	1,124,354	2,142,363	346,119	888,466
LIABILITIES				
Trade and other payables, including derivatives	549,904	491,526	108,826	76,826
Loans and borrowings	508,178	352,462	435,681	290,346
Tax payable	15,217	8,894	10,492	5,090
Liabilities held for sale	558,519	579,187	-	-
Current liabilities	1,631,818	1,432,069	554,999	372,262
Net current (liabilities)/assets	(507,464)	710,294	(208,880)	516,204
Trade and other payables, including derivatives	14,577	35,895	-	-
Loans and borrowings	1,060,598	1,173,195	394,556	503,550
Deferred tax liabilities	3,232	4,504	-	-
Non-current liabilities	1,078,407	1,213,594	394,556	503,550
Net (liabilities)/assets	(136,013)	1,007,562	(116,319)	1,223,794



STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 (cont'd)

	Group		Company	
	30 Sep 18 S\$'000	31 Dec 17 S\$'000	30 Sep 18 S\$'000	31 Dec 17 S\$'000
<u>EQUITY</u>				
Share capital	607,258	607,258	607,258	607,258
Treasury shares	(85,929)	(85,929)	(85,929)	(85,929)
Perpetual securities	494,798	494,798	494,798	494,798
Reserves	(32,023)	(59,652)	36,619	34,993
(Accumulated loss)/retained earnings	(1,123,685)	25,540	(1,169,065)	172,674
Total equity attributable to owners of the Company	(139,581)	982,015	(116,319)	1,223,794
Non-controlling interests	3,568	25,547	-	-
Total equity	(136,013)	1,007,562	(116,319)	1,223,794
<i>Group net borrowings (S\$'000)</i> ^{N1}	1,375,058	1,211,489	n.a	n.a
<i>Group net gearing (times)</i>	NM	1.20x	n.a	n.a

NM: Not Meaningful

^{N1} Group net borrowings exclude borrowings classified as liabilities held for sale.



NOTES TO STATEMENTS OF FINANCIAL POSITION

1(b)(ii) Group's borrowings and debt securities ^{Note 2}

30 Sep 18		31 Dec 17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000

(i) Amount repayable in one year or less, or on demand

10,852	497,326	-	352,462
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(ii) Amount repayable after one year

490,507	570,091	489,247	683,948
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Details of any collateral

Secured bank loans of the Group were secured over specific project assets of subsidiaries under project financing arrangement.

Notes:

1. Notwithstanding the default notices received from certain lenders, the financial liabilities of the Group are not reclassified to current liabilities as these unaudited financials are prepared on the basis that the restructuring scheme and the proposed investor investment are completed successfully.
2. Group's borrowings and debt securities exclude borrowings classified as liabilities held for sale.



1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended 30 September 2018

	Group			
	Quarter ended 30 Sep		Nine months ended 30 Sep	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
	Restated		Restated	
Cash flows from operating activities				
Loss for the period	(1,003,046)	(25,446)	(1,147,305)	(52,574)
Adjustments for:				
Amortisation of intangible assets	620	734	1,912	2,210
Depreciation	3,571	4,780	11,169	12,734
Employees' share option expense	56	91	385	327
Net finance costs	28,648	26,835	75,520	69,844
Gain on disposal of a joint venture	-	-	-	(16,491)
Gain on deconsolidation of subsidiary	-	-	(3,630)	-
Impairment loss on intangible assets arising service concession arrangements	805,132	-	805,132	-
Impairment loss on service concession receivables	26,534	-	26,534	-
Impairment loss on investment in joint venture	1,402	-	1,402	-
Impairment loss on property, plant and equipments	8,647	-	8,647	-
Provision/write off	2,160	-	2,160	-
Share of profit of equity-accounted investees, net of tax	(812)	(229)	(1,754)	(3,093)
Write off of intangible assets	12,908	(6)	12,908	245
Impairment loss on inventories	220	-	220	-
Tax credit	(8,003)	(2,976)	(21,640)	(1,303)
Impairment loss/(Write back) on trade and other receivables (net)	59,459	(452)	59,459	(610)
	(62,504)	3,331	(168,881)	11,289
Changes in:				
Inventories	(2,482)	(2,175)	665	(4,819)
Contract assets	(212)	21,594	(9,965)	34,743
Trade and other receivables	9,687	(22,482)	20,636	18,292
Trade and other payables	14,119	16,201	45,287	(122,784)
Cash (used in)/from operating activities before service concession arrangements	(41,392)	16,469	(112,258)	(63,279)
Change in service concession receivables	17,487	(46,797)	49,029	(130,125)
Cash used in operating activities after service concession arrangements	(23,905)	(30,328)	(63,229)	(193,404)
Tax refund/(paid)	8,892	(5,609)	12,139	(14,424)
Net cash used in operating activities	(15,013)	(35,937)	(51,090)	(207,828)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended 30 September 2018 (cont'd)

	Group			
	Quarter ended 30 Sep		Nine months ended 30 Sep	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
	Restated		Restated	
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,474)	(2,116)	(21,860)	(12,537)
Acquisition of intangible assets	-	(83)	(106)	(295)
Disposal of a joint venture	-	-	-	190,763
Disposal of a subsidiary	-	-	(252)	-
Dividends received	-	660	1,395	1,845
Interest received	902	817	3,006	4,049
Net cash outflow on deconsolidation of subsidiary	-	-	(6,096)	-
Proceeds from sale of property, plant and equipment	4	284	12	596
Investments in equity-accounted investees	-	-	-	(13,526)
Repayment of loan from a joint venture	-	-	-	79,577
Net cash (used in)/from investing activities	(1,568)	(438)	(23,901)	250,472
Cash flows from financing activities				
Contribution from non-controlling interests	-	-	-	5,559
Cash set-off by a bank against contingent liability	(35,849)	-	(35,849)	-
Dividends paid	-	-	(11,967)	(37,358)
Restricted bank balances	63,849	(390)	(94,111)	(22,303)
Interest paid	(18,401)	(23,792)	(61,556)	(66,686)
Payment of transaction costs related to loans & borrowings	-	(1,087)	(466)	(2,919)
Proceeds from borrowings	-	101,769	95,029	732,163
Redemption of perpetual securities	-	-	-	(295,000)
Repayment of borrowings	(6,040)	(12,824)	(56,828)	(380,346)
Net cash from/(used in) financing activities	3,559	63,676	(165,748)	(66,890)
Net (decrease)/increase in cash and cash equivalents	(13,022)	27,301	(240,739)	(24,246)
Cash and cash equivalents at beginning of the period	99,382	204,567	324,375	260,322
Effect of exchange rate fluctuations on cash held	(249)	(1,581)	2,475	(5,789)
Cash and cash equivalents at end of the period [Note 1(c)(i)]	86,111	230,287	86,111	230,287



NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

1(c)(i) Cash and cash equivalents included in consolidated statement of cash flows comprise of the following:

	Group	
	30 Sep 18	30 Sep 17
	S\$'000	S\$'000
Cash and cash equivalents in the statements of financial position	193,718	221,994
Cash and cash equivalents included in assets held for sale	53,147	82,025
Restricted bank balances ¹	(160,754)	(73,732)
Cash and cash equivalents in the statement of cash flows	86,111	230,287

Note 1: Restricted bank balances related largely to cash in project companies wherein the project lenders restricted the utilisation of the cash.



1 (d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY OF THE GROUP

For the third quarter ended 30 September 2018

	Share capital	Treasury shares	Perpetual securities	Capital reserve	Translation reserve	Hedging reserve	Employees' share option reserve	(Accumulated loss)/ retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 01.07.2018	607,258	(85,929)	494,798	15,925	(36,532)	(32,689)	26,100	(145,610)	843,321	28,454	871,775
Total comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(977,750)	(977,750)	(25,296)	(1,003,046)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	(7,647)	-	-	-	(7,647)	16	(7,631)
Effective portion of changes in fair value of cash flow hedges ⁽¹⁾	-	-	-	-	-	3,157	-	-	3,157	394	3,551
Share of other comprehensive income of equity-accounted investees	-	-	-	-	(718)	-	-	-	(718)	-	(718)
Total comprehensive income for the period	-	-	-	-	(8,365)	3,157	-	(977,750)	(982,958)	(24,886)	(1,007,844)
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Value of employee services received	-	-	-	-	-	-	56	-	56	-	56
Transfer to capital reserve	-	-	-	325	-	-	-	(325)	-	-	-
Total transactions with owners	-	-	-	325	-	-	56	(325)	56	-	56
At 30.09.2018	607,258	(85,929)	494,798	16,250	(44,897)	(29,532)	26,156	(1,123,685)	(139,581)	3,568	(136,013)

⁽¹⁾ Includes \$1,704,000 relating to Tuaspring



STATEMENT OF CHANGES IN EQUITY OF THE GROUP (cont'd)

For the third quarter ended 30 September 2017

	Share capital	Treasury shares	Perpetual securities	Capital reserve	Translation reserve	Hedging reserve	Employees' share option reserve	(Accumulated loss)/ retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 01.07.2017, as restated	607,258	(85,929)	494,798	13,828	(31,767)	(65,670)	25,628	144,169	1,102,315	17,599	1,119,914
Total comprehensive income for the period											
Loss for the period, as previously stated	-	-	-	-	-	-	-	(26,067)	(26,067)	1,507	(24,560)
Reinstatement from Held for Sale	-	-	-	-	-	-	-	(886)	(886)	-	(886)
Loss for the period, as restated	-	-	-	-	-	-	-	(26,953)	(26,953)	1,507	(25,446)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	561	-	-	-	561	(735)	(174)
Effective portion of changes in fair value of cash flow hedges ⁽¹⁾	-	-	-	-	-	7,640	-	-	7,640	856	8,496
Share of other comprehensive income of equity-accounted investees	-	-	-	-	(4,880)	31	-	-	(4,849)	-	(4,849)
Total comprehensive income for the period (restated)	-	-	-	-	(4,319)	7,671	-	(26,953)	(23,601)	1,628	(21,973)
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	35	35
Value of employee services received	-	-	-	-	-	-	91	-	91	-	91
Transfer to capital reserve	-	-	-	590	-	-	-	(590)	-	-	-
Total transactions with owners	-	-	-	590	-	-	91	(590)	91	35	126
At 30.09.2017 (restated)	607,258	(85,929)	494,798	14,418	(36,086)	(57,999)	25,719	116,626	1,078,805	19,262	1,098,067

⁽¹⁾ Includes \$5,036,000 relating to Tuaspring



STATEMENT OF CHANGES IN EQUITY OF THE GROUP (cont'd)

For the nine months ended 30 September 2018

	Share capital	Treasury shares	Perpetual securities	Capital reserve	Translation reserve	Hedging reserve	Employees' share option reserve	(Accumulated loss)/ retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 01.01.2018, as previously stated	607,258	(85,929)	494,798	15,009	(39,982)	(60,450)	25,771	25,540	982,015	25,547	1,007,562
Impact of new accounting standards	-	-	-	-	-	-	-	(3,198)	(3,198)	(514)	(3,712)
At 01.01.2018, as restated	607,258	(85,929)	494,798	15,009	(39,982)	(60,450)	25,771	22,342	978,817	25,033	1,003,850
Total comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(1,118,898)	(1,118,898)	(28,407)	(1,147,305)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	(4,517)	-	-	-	(4,517)	129	(4,388)
Effective portion of changes in fair value of cash flow hedges ⁽¹⁾	-	-	-	-	-	30,717	-	-	30,717	4,736	35,453
Deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	2,077	2,077
Share of other comprehensive income of equity-accounted investees	-	-	-	-	(398)	201	-	-	(197)	-	(197)
Total comprehensive income for the period	-	-	-	-	(4,915)	30,918	-	(1,118,898)	(1,092,895)	(21,465)	(1,114,360)
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends	-	-	-	-	-	-	-	(25,888)	(25,888)	-	(25,888)
Value of employee services received	-	-	-	-	-	-	385	-	385	-	385
Transfer to capital reserve	-	-	-	1,241	-	-	-	(1,241)	-	-	-
Total transactions with owners	-	-	-	1,241	-	-	385	(27,129)	(25,503)	-	(25,503)
At 30.09.2018	607,258	(85,929)	494,798	16,250	(44,897)	(29,532)	26,156	(1,123,685)	(139,581)	3,568	(136,013)

⁽¹⁾ Includes \$15,301,000 relating to Tuaspring



STATEMENT OF CHANGES IN EQUITY OF THE GROUP (cont'd)

For the nine months ended 30 September 2017

	Share capital	Treasury shares	Perpetual securities	Capital reserve	Translation reserve	Hedging reserve	Employees' share option reserve	(Accumulated loss)/ retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 01.01.2017, as restated	607,258	(85,929)	785,280	16,720	(7,152)	(24,207)	25,392	209,398	1,526,760	21,326	1,548,086
Total comprehensive income for the period											
Loss for the period, as previously stated	-	-	-	-	-	-	-	(50,352)	(50,352)	435	(49,917)
Reinstatement from Held for Sale	-	-	-	-	-	-	-	(2,657)	(2,657)	-	(2,657)
Loss for the period, as restated	-	-	-	-	-	-	-	(53,009)	(53,009)	435	(52,574)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	(4,742)	-	-	-	(4,742)	(1,234)	(5,976)
Effective portion of changes in fair value of cash flow hedges ⁽¹⁾	-	-	-	-	-	(33,661)	-	-	(33,661)	(6,859)	(40,520)
Disposal of a joint venture	-	-	-	(189)	(15,422)	-	-	-	(15,611)	-	(15,611)
Share of other comprehensive income of equity-accounted investees	-	-	-	-	(8,770)	(131)	-	-	(8,901)	-	(8,901)
Total comprehensive income for the period (restated)	-	-	-	(189)	(28,934)	(33,792)	-	(53,009)	(115,924)	(7,658)	(123,582)
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends	-	-	-	-	-	-	-	(37,358)	(37,358)	-	(37,358)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	5,594	5,594
Redemption and repurchase of perpetual securities	-	-	(290,482)	(4,518)	-	-	-	-	(295,000)	-	(295,000)
Value of employee services received	-	-	-	-	-	-	327	-	327	-	327
Transfer to capital reserve	-	-	-	2,405	-	-	-	(2,405)	-	-	-
Total transactions with owners	-	-	(290,482)	(2,113)	-	-	327	(39,763)	(332,031)	5,594	(326,437)
At 30.09.2017 (restated)	607,258	(85,929)	494,798	14,418	(36,086)	(57,999)	25,719	116,626	1,078,805	19,262	1,098,067

⁽¹⁾ Includes (\$14,001,000) relating to Tuaspring



1 (d)(i) STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
For the third quarter ended 30 September 2018 and 30 September 2017

	Share capital	Treasury shares	Perpetual securities	Capital reserve	Employees' share option reserve	(Accumulated loss)/ retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 01.07.2018	607,258	(85,929)	494,798	10,138	26,100	159,439	1,211,804
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(1,328,179)	(1,328,179)
Total comprehensive income for the period	-	-	-	-	-	(1,328,179)	(1,328,179)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	-	-
Value of employee services received	-	-	-	-	56	-	56
Transfer to capital reserve	-	-	-	325	-	(325)	-
Total transactions with owners	-	-	-	325	56	(325)	56
At 30.09.2018	607,258	(85,929)	494,798	10,463	26,156	(1,169,065)	(116,319)
At 01.07.2017	607,258	(85,929)	494,798	8,041	25,628	110,717	1,160,513
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,441	2,441
Total comprehensive income for the period	-	-	-	-	-	2,441	2,441
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	-	-
Redemption and repurchase of perpetual securities	-	-	-	-	-	-	-
Value of employee services received	-	-	-	-	91	-	91
Transfer to capital reserve	-	-	-	591	-	(591)	-
Total transactions with owners	-	-	-	591	91	(591)	91
At 30.09.2017	607,258	(85,929)	494,798	8,632	25,719	112,567	1,163,045



STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (cont'd)
For the nine months ended 30 September 2018 and 30 September 2017

	Share capital	Treasury shares	Perpetual securities	Capital reserve	Employees' share option reserve	(Accumulated loss)/ retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 01.01.2018	607,258	(85,929)	494,798	9,222	25,771	172,674	1,223,794
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	(1,314,610)	(1,314,610)
Total comprehensive income for the period	-	-	-	-	-	(1,314,610)	(1,314,610)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(25,888)	(25,888)
Value of employee services received	-	-	-	-	385	-	385
Transfer to capital reserve	-	-	-	1,241	-	(1,241)	-
Total transactions with owners	-	-	-	1,241	385	(27,129)	(25,503)
At 30.09.2018	607,258	(85,929)	494,798	10,463	26,156	(1,169,065)	(116,319)
At 01.01.2017	607,258	(85,929)	785,280	11,373	25,392	122,159	1,465,533
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	29,543	29,543
Total comprehensive income for the period	-	-	-	-	-	29,543	29,543
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(37,358)	(37,358)
Redemption and repurchase of perpetual securities	-	-	(290,482)	(4,518)	-	-	(295,000)
Value of employee services received	-	-	-	-	327	-	327
Transfer to capital reserve	-	-	-	1,777	-	(1,777)	-
Total transactions with owners	-	-	(290,482)	(2,741)	327	(39,135)	(332,031)
At 30.09.2017	607,258	(85,929)	494,798	8,632	25,719	112,567	1,163,045



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Changes in the Company's share capital

The movements in the Company's issued and fully paid-up share capital during the third quarter ended 30 Sep 2018 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 Jul 2018 and 30 Sep 2018	785,284,989	128,760
Preference shares		
At 1 Jul 2018 and 30 Sep 2018	4,000,000	392,569
Issued share capital at 30 Sep 2018 (Note A)		<u>521,329</u>

As at 30 Sep 2018, the number of ordinary shares in issue were 785,284,989 (30 Sep 2017: 785,284,989), excluding 79,246,000 (30 Sep 2017: 79,246,000) held by the Company as treasury shares.

The total number of issued 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares ("Preference Shares") as at 30 Sep 2018 were 4,000,000 (30 Sep 2017: 4,000,000).

As the Preference Shares were not redeemed by the Company on the First Call Date, being 25 April 2018, the dividend will accrue at the rate of 8% per annum on and from the First Call Date.

Note A:

Per Statement of Financial Position	S\$'000
- Share capital	607,258
- Treasury shares	<u>(85,929)</u>
Issued share capital as at 30 Sep 2018	<u>521,329</u>

Outstanding share options

	No. of options
At 1 Jul 2018	28,168,000
Forfeited	<u>(531,000)</u>
At 30 Sep 2018	<u>27,637,000</u>

As at 30 Sep 2018, the number of outstanding share options were 27,637,000 (30 Sep 2017: 33,041,000).

Perpetual securities

	Amount S\$'000
At 1 Jul 2018 and 30 Sep 2018	<u>494,798</u>

As at 30 Sep 2018, perpetual securities ("perps") relate to the \$500 mil 6.00% per annum perps, issued on 27 May 2016.



Perpetual securities (cont'd)

As at 30 Sep 2017, perps relate to the \$500 mil 6.00% per annum perps, issued on 27 May 2016.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares as at 30 Sep 2018 were 785,284,989 (31 Dec 2017: 785,284,989), excluding 79,246,000 (31 Dec 2017: 79,246,000) held by the Company as treasury shares.

There was no change in the Company's issued preference shares during the financial period ended 30 Sep 2018. The total number of issued preference shares as at 30 Sep 2018 were 4,000,000 (31 Dec 2017: 4,000,000).

The total amount of perpetual securities issued as at 30 Sep 2018 were \$500 mil (31 Dec 2017: \$500 mil).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 Sep 2018.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed below and in paragraph 5, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2017.

The unaudited financial statements have been prepared on the same basis as the proforma unaudited consolidated financial statements for the financial period ended 30 September 2018 for the Group as presented in the court affidavit dated 1 March 2019. Events or developments which occurred thereafter have not been reflected in these unaudited financial statements.

Tuaspring Pte. Ltd. and Hyflux Energy Pte. Ltd. (collectively "Tuaspring Disposal Group") is classified as held for sale pursuant to the agreement with Malayan Banking Berhad entered into in July 2018, wherein the parties reached an agreement in respect of the process of divestment of Hyflux Ltd's interest in Tuaspring's Integrated Water and Power Project.

Notwithstanding the default notices received from certain lenders, the financial liabilities of the Group are not reclassified to current liabilities as these unaudited financials are prepared on the basis that the restructuring scheme and the proposed investor investment are completed successfully.

The recoverability of the carrying value of the deferred tax assets in these unaudited financial statements is based on the assumption that the Inland Revenue Authority of Singapore will accept the relevant applications to be made by the companies of the Group incorporated in Singapore for a waiver of the shareholding test in respect of the utilisation of tax losses relating to such deferred tax assets.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group's financial statements for the financial period beginning 1 January 2018 is prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) issued by the Accounting Standards Council ("ASC").

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

SFRS(I) 1

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

Adoption of SFRS(I)s

The Group has adopted the following new SFRS(I)s which took effect from the financial period beginning 1 January 2018:

SFRS(I) 9 *Financial Instruments*

SFRS(I) 15 *Revenue from Contracts with Customers*

The adoption of SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017. SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

1) Classification and measurement

The Group has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under SFRS(I) 9. As a result, certain balance sheet items and retained earnings were adjusted as at 1 January 2018.

2) Impairment of financial assets

Financial assets are subject to expected credit loss impairment model under SFRS(I) 9. As a result, receivables and retained earnings as at 1 January 2018 were adjusted. Other than SFRS(I) 9, the adoption of these SFRS(I)s did not have any significant impact on the financial statements of the Group.

The financial effects of adopting SFRS(I) 9 are as follows:

	1 Jan 2018
	S\$'000
Group Balance Sheet	
Decrease in service concession receivables	(2,990)
Decrease in trade and other receivables, including derivatives	(722)
	<hr/>
Decrease in net assets	(3,712)

Group Balance Sheet

Decrease in retained earnings	(3,198)
Decrease in non-controlling interests	(514)
Decrease in total equity	<u>(3,712)</u>

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2018	2017 Restated	Change %	2018	2017 Restated	Change %
Loss per ordinary share of the Group based on net profit attributable to owners of the Company:-						
Based on the weighted average number of ordinary shares in issue ¹	(126.50 cts)	(5.16 cts)	>100	(148.07 cts)	(12.00 cts)	>100
- Weighted average number of shares	785,284,989	785,284,989	-	785,284,989	785,284,989	-
On a fully diluted basis of ordinary shares ¹	(126.50 cts)	(5.16 cts)	>100	(148.07 cts)	(12.00 cts)	>100
- Adjusted weighted average number of shares	<u>785,284,989</u>	<u>785,284,989</u>	-	<u>785,284,989</u>	<u>785,332,177</u>	-
<u>Excluding Tuaspring</u>						
Loss per ordinary share of the Group based on net profit attributable to owners of the Company:-						
Based on the weighted average number of ordinary shares in issue ²	(122.72 cts)	(1.77 cts)	>100	(139.18 cts)	(2.52 cts)	>100
- Weighted average number of shares	785,284,989	785,284,989	-	785,284,989	785,284,989	-
On a fully diluted basis of ordinary shares ²	(122.72 cts)	(1.77 cts)	>100	(139.18 cts)	(2.52 cts)	>100
- Adjusted weighted average number of shares	<u>785,284,989</u>	<u>785,284,989</u>	-	<u>785,284,989</u>	<u>785,332,177</u>	-

¹ adjusted for dividends attributable to perpetual preference shares and perpetual securities for the nine months ended 30 September 2018 ("9M2018") of \$43.9mil and the third quarter ended 30 September 2018 ("3Q2018") of \$15.6mil. Excluding these adjustments, the loss per share would have been 142.48 cents for 9M2018 and 124.51 cents for 3Q2018.

² adjusted for dividends attributable to perpetual preference shares and perpetual securities for 9M2018 of \$43.9mil and 3Q2018 of \$15.6mil. Excluding these adjustments, the loss per share would have been 133.59 cents for 9M2018 and 120.73 cents for 3Q2018.

7. **Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

Net asset value per ordinary share:

	Group		Company	
	30 Sep 18 Cents	31 Dec 17 Cents	30 Sep 18 Cents	31 Dec 17 Cents
Based on 785,284,989 (31 Dec 2017: 785,284,989) ordinary shares in issue	-131.7	14.1	-129.1	41.7

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

This announcement is released for purpose of observing the continuing obligations under Chapter 7 of the SGX Listing Manual and to disclose the financial statements for the third quarter ended 30 September 2018 in respect of the information requirement, pursuant to Rule 705(2) of the SGX Listing Manual.

On 22 May 2018, the Company announced that applications had been made to the Court pursuant to Section 211B(1) of the Companies Act to commence a court supervised process to reorganise the liabilities and businesses of the Company and certain identified subsidiaries ("Debt Restructuring Exercise").

The Company conducted a competitive bid process to pursue strategic investments in the overall business of the Group as part of the proposed restructuring. The bid process involved seeking interest from various potential investors and having considered the various proposals submitted by potential investors, the Company announced on 18 October 2018 that it had entered into a restructuring agreement with SM Investments Pte. Ltd. (the "Investor") pursuant to which the Investor would, *inter alia*:

- (a) Subscribe for such number of shares representing 60% of the enlarged issued share capital for an aggregate subscription amount of \$400.0 mil; and
- (b) Grant the Company a loan of a principal amount of \$130.0 mil.

(collectively, the "Proposed SMI Investment").

In addition, the Company intends to enter into a compromise and arrangement with the Scheme Parties pursuant to Section 210 of the Companies Act for the full and final satisfaction and discharge of all Unsecured Claims, Debt Securities Claims and Subordinated Claims ("Proposed Scheme").

The unaudited financial statements for the third quarter ("Unaudited 3Q2018 Financials") have been prepared based on certain key assumptions and adjustments as follows:

- i. The unaudited financial statements have been prepared on a going concern basis on the assumption of a successful restructuring exercise.
- ii. The periodic assessment of the carrying value of assets has been carried out. These assets are assessed at the end of the reporting period to determine whether there is objective evidence that they are impaired, in accordance with *FRS 36 Impairment of Assets*.

- iii. Following the periodic assessment of the carrying value of assets, the carrying value of the intangible assets arising from service concession arrangements and service concession receivables of the Tuaspring Integrated Water and Power Plant was assessed against an independent valuation performed during the period. This assessment resulted in an impairment loss being recognised for the period.
- iv. The service concession receivables relate to the guaranteed minimum payments receivable by the TuasOne Waste-to-Energy Project (“TuasOne WTE”), Qurayyat IWP and Tianjin Dagang projects from the respective grantors. These amounts represent the guaranteed minimum payments receivable for the remaining service concession period. The assessment of the carrying value of the service concession receivables is based on the assumption that the plants which are under construction will be completed by the respective latest expected completion dates.
- v. The financial liabilities of the Group are not reclassified to current liabilities as the unaudited financials are prepared on the basis that the Proposed Scheme and the Proposed SMI Investment are completed successfully.

8(a) Revenue, costs and earnings

The Group’s revenue for the third quarter (“3Q2018”) of \$24.7 mil and nine months ended 30 September 2018 (“9M2018”) of \$67.9 mil (excluding Tuaspring Integrated Water and Power Project or “Tuaspring”) were lower as compared to the corresponding period in 2017. In addition to lower EPC activities, the Group’s revenue for 3Q2018 and 9M2018 were impacted by a reversal of \$21.8 mil in revenue from ongoing construction projects, elaborated below.

In 3Q2018, projected costs to complete construction of the TuasOne WTE project increased, mainly due to higher supplier costs arising from the Group’s statutory moratorium situation. Choice of willing suppliers were significantly reduced with remaining suppliers demanding higher contract prices at less favorable terms to the Group. In accordance with the accounting policy of the Group, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract, which is assessed by reference to the ratio of contract costs incurred for work performed to date against the total contract costs for each contract. The higher updated estimated total contract costs for TuasOne WTE resulted in an update of the stage of completion to-date, and consequently a reversal of \$21.8 mil in contract revenue recognised for 3Q2018.

Loss attributable to the shareholders of the Company, excluding Tuaspring, was \$948.1 mil for 3Q2018 and \$1.0 bil for 9M2018 as compared to a loss of \$0.4 mil and a profit of \$21.5 mil for the third quarter ended 30 September 2017 (“3Q2017”) and the nine months ended 30 September 2017 (“9M2017”) respectively. Impairment loss of \$916.5 mil was recognised from the periodic assessment of carrying value of assets mainly from the impairment of the carrying value of Tuaspring and the impairment of receivables for previously completed projects.

The intangible assets arising from service concession arrangements and service concession receivables of Tuaspring are stated at fair value determined by an independent valuer, Infunde Capital Pte. Ltd., which represents the value in use based on the Reference Base Case, using the discounted cash flow method.

This valuation is based on the most recent market study conducted by K4K Training & Advisory S.L., the same consultant who did a similar market study in 2016 (which supported the valuation then). The view taken in this most recent market study is significantly different from that in 2016 due to the following reasons: (i) the losses in the electricity market in the recent years; and (ii) the projected lower spark spreads for the remaining concession period. The lower projected spark spreads are, in turn, based on (a) a rebasing of starting demand levels; (b) an increase in photovoltaic and autogeneration capacity; (c) revision downwards of the realisable spark spread as a function of the reserve margin; and (d) an assumption of zero retail margin.

Hyflux has provisionally used the current valuation in the Unaudited Financials. However, given that the current valuation is significantly lower than that adopted in 2016, Hyflux intends to commission a further valuation to be undertaken by a different valuer for the purposes of finalising the 2018 full year financial results.



Tuaspring recorded an operating loss of \$29.6 mil in 3Q2018 and \$69.8 mil in 9M2018. For ease of comparability, these results reflected only the operating performance of Tuaspring.

Including Tuaspring results, the Group recorded a loss attributable to shareholders of \$977.8 mil for 3Q2018 against a restated loss of \$27.0 mil in 3Q2017. The restatement of the 9M2017 and 3Q2017 results were due to the reinstatement of depreciation charge for Tianjin Dagang. While the Group remains committed to the divestment of Tianjin Dagang, the sale process has extended beyond one year and no longer meets the reporting criteria to be classified as Held for Sale.

Other income for the Group of \$54.2 mil for 9M2018 was lower than the other income of \$58.2 mil for 9M2017, which included a one-off gain of \$16.5 mil from the disposal of the Group's 50% stake in its joint venture, Galaxy Newspring Pte Ltd, in March 2017. Other income for the Group of \$21.2 mil for 3Q2018 was higher than other income of \$13.5 mil in 3Q2017, due to the interest income on shareholder's loan extended to Tuaspring, the results of which are presented separately.

Staff costs increased in 9M2018 and 9M2017, due largely to the work progress of TuasOne WTE project, which is in a manpower-intensive phase of construction.

Increase in finance costs related mainly to the additional drawdown for the Group's project financing, higher interest costs, including penalties, being charged for outstanding loans.

Share of profit of equity-accounted investees decreased due to the foreign exchange loss from a China associate.

8(b) Statements of Financial Position Analysis

The Group's equity decreased by \$1.1 bil to -\$136.0 mil as at 30 September 2018. The decrease was mainly contributed by the losses incurred from operations for 9M2018 as well as the impairment loss on the assets, and offset mainly by the gain on interest rate swaps.

Subsequent to the Group's initiation to partially divest its equity interest in Tuaspring, the identified assets and liabilities of Tuaspring were classified as assets/liabilities held for sale. Tianjin Dagang ceased to be classified as Held for Sale as it no longer meets the requirement under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. As at 30 September 2018, the assets and liabilities held for sale related largely to Tuaspring.

The assets and liabilities identified for held for sale are Tuaspring Pte. Ltd. and Hyflux Energy Pte. Ltd. (collectively "Tuaspring Disposal Group"). The Tuaspring Disposal Group is classified as held for sale pursuant to the agreement with Malayan Banking Berhad entered into in 5 July 2018, wherein the parties reached an agreement in respect of the process of divestment of Hyflux Ltd's interest in Tuaspring's Integrated Water and Power Project.

Total assets declined by \$1.1 bil to \$2.6 bil as at 30 September 2018 mainly attributable to impairment loss from the assessment of the carrying value of Tuaspring and the impairment of receivables for previously completed projects, lower cash balance due to utilisation for operating activities and lower service concession receivables resulting from the revision in revenue recognised for TuasOne WTE project.

Total liabilities increased marginally by \$64.6 mil to \$2.7 bil as at 30 September 2018. Notwithstanding the default notices received from certain lenders, the financial liabilities of the Group are not reclassified to current liabilities as the unaudited financials are prepared on the basis that the Proposed Scheme and the Proposed SMI Investment are completed successfully. The increase in liabilities is due mainly to (i) increase in loan and borrowings by \$43.1 mil which included pulling of the standby letter of credit, resulting in higher loans and borrowings; (ii) advance received from a customer in respect of certain project; and offset by (iii) a reduced liabilities held for sale. This is due to a favourable mark-to-market adjustments in respect of the interest rate swap of Tuaspring.

8(c) Statement of Cash Flows

For 9M2018 and 3Q2018, a net cash outflow of \$51.1 mil and \$15.0 mil were respectively generated in the Group's operating activities (9M2017 and 3Q2017: cash outflow of \$207.8 mil and \$35.9 mil respectively), mainly towards the Group's investments in projects with service concession arrangements and other operating activities. Excluding investments in the Group's projects, cash used in operating activities in 9M2018 and 3Q2018 were \$112.3 mil and \$41.4 mil respectively.

Cash used in investing activities of \$23.9 mil in 9M2018 and \$1.6 mil in 3Q2018 was mainly for the acquisition of membranes for a desalination plant.

Net cash from financing activities results largely from reduction in restricted bank balances which is due to cash set off by a bank against contingent liability. In addition, some of the project finance lenders has released some funds for payment of construction costs. This is offset by payment of principal and interest of project financing loans.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's financial performance and position in the next reporting period and the next 12 months hinges on, amongst other events and factors, the successful completion of the Proposed Scheme and Proposed SMI Investment. The details of the Proposed Scheme and Proposed SMI Investment can be found in Paragraph 8 of this announcement.

1. Pro Forma Share Capital and Financial Effects of the Proposed Restructuring

1.1 Bases and Assumptions

The pro forma financial effects of the Proposed Restructuring are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group following the completion of the Proposed Restructuring.

The pro forma financial effects of the Proposed Restructuring on the share capital of Hyflux Ltd, NTA, profit/(loss) and gearing of the Group have been prepared based on the pro forma unaudited consolidated financial statements of the Group for the nine (9) months ended 30 September 2018 ("9M2018") ("9M2018 Financial Statements").

For the purposes of illustration, the pro forma financial effects of the Proposed Restructuring on the share capital of Hyflux Ltd, NTA, profit/(loss) and gearing of the Group are computed based on the following bases and assumptions:

- (a) the 9M2018 Financial Statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring will be successful;
- (b) the schemes of arrangement in relation to Hydrochem, Hyflux Engineering and Hyflux Membrane Manufacturing have been completed;
- (c) all claims by trade creditors against Hydrochem, Hyflux Engineering and Hyflux Membrane Manufacturing which amount to less than S\$5,000 will be paid in full;
- (d) in addition to the Investor Shareholder's Loan, the loans and borrowings of the Group after the completion of the Proposed Restructuring include project finance loans in the subsidiaries;

- (e) following the completion of the Proposed SMI Investment, there will be a change in the control of the Company. The carrying value of the deferred tax assets in the 9M2018 Financial Statements is based on the assumption that the Inland Revenue Authority of Singapore will accept the relevant applications to be made by the companies of the Group incorporated in Singapore for a waiver of the shareholding test in respect of the utilisation of tax losses relating to such deferred tax assets;
- (f) the pro forma NTA per Share as at 30 September 2018 has been prepared on the assumption that the Proposed Restructuring had been completed on 30 September 2018
- (g) the pro forma profit/(loss) per Share has been prepared on the assumption that the Proposed Restructuring had been completed on 30 September 2018; and
- (h) the pro forma gearing as at 30 September 2018 has been prepared on the assumption that the Proposed Restructuring had been completed on 30 September 2018.

No audit, review or agreed upon procedures was undertaken by the Group's external auditor in respect of these pro forma consolidated financial information and pro forma financial effects.

1.2 Pro forma Share Capital

Assuming the successful completion of the Proposed Restructuring, the capital structure of the Company immediately after completion of the Proposed Restructuring is envisaged to be as follows:

	As at the Latest Practicable Date	After the completion of the Debt Conversion Shares Issuance and the SMI Shares Issuance
Issued and paid-up Share capital (S\$million)	128.8 ⁽¹⁾	768.8
Number of Shares	785,284,989 ⁽²⁾	19,632,124,725
Issued and paid-up Preference Share capital (S\$million)	400.0	-
Number of Preference Shares	4,000,000	-

Notes:

- (1) The issued and paid-up Share capital excludes the treasury shares held by the Company.
- (2) As at the Latest Practicable Date, the Company has 785,284,989 Shares which excludes 79,246,000 Shares that are held by the Company as treasury shares.

1.3 Pro forma NTA

For illustrative purposes only and assuming that the Proposed Restructuring had been completed on 30 September 2018, being the end of 9M2018, the effect of the Proposed Restructuring on the NTA per Share as at 30 September 2018 is as follows:

	As at 30 September 2018	After the completion of the Proposed Restructuring
Pro forma NTA of the Group attributable to the Shareholders (S\$million)	(432.6)	815.3
Number of Shares	785,284,989	19,632,124,725
Pro forma NTA per Share (cents) ⁽¹⁾	(55.1)	4.2

Notes:

- (1) Pro forma NTA per Share is computed based on the pro forma NTA of the Group attributable to the Shareholders of the Company divided by the number of Shares.

1.4 Pro forma Profit/(loss)

For illustrative purposes only and assuming that the Proposed Restructuring had been completed on 30 September 2018, the effect of the Proposed Restructuring on the pro forma profit/(loss) per Share for 9M2018 is as follows:

	For 9M2018	After the completion of the Proposed Restructuring
Pro forma profit/(loss) of the Group attributable to the Shareholders (S\$million)	(1,118.9)	(407.5)
Weighted average number of Shares	785,284,989	19,632,124,725
Pro forma profit/(loss) per Share (cents) ⁽¹⁾	(142.5)	(2.1)

Notes:

- (1) Pro forma profit/(loss) per Share is computed based on the pro forma profit/(loss) of the Group attributable to the Shareholders of the Company divided by the weighted average number of Shares.

1.5 Pro forma Gearing

For illustrative purposes only and assuming that the Proposed Restructuring had been completed on 30 September 2018, being the end of 9M2018, the effect of the Proposed Restructuring on the pro forma gearing as at 30 September 2018 is as follows:

	As at 30 September 2018	After the completion of the Proposed Restructuring
Total debt (\$'million)	1,568.8	733.3
Total equity (\$'million)	(136.0)	1,111.9
Gearing ratio ⁽¹⁾	<i>n.m.</i> ⁽²⁾	0.7

Notes:

- (1) Gearing ratio is computed as total debt divided by total equity.
 (2) n.m. – Not meaningful.

In addition, the following are key known events which may affect the group's financial performance and position in the next 12 months:

2. Tuaspring

Tuaspring received a notice from the Public Utilities Board ("PUB") dated 5 March 2019 ("PUB Notice") asserting certain defaults by Tuaspring under the Water Purchase Agreement entered into between PUB and Tuaspring dated 6 April 2011 (as amended and/or restated from time to time) ("WPA").

The WPA provides a default cure period of 30 days from 6 March 2019 ("Default Cure Period"), or such longer period as may be reasonable, for Tuaspring to consult with PUB as to the steps that need to be taken with a view of mitigating the consequences of, and curing, any defaults that are alleged to have occurred.

If, after the Default Cure Period, any breaches that have arisen are not remedied, PUB has the sole and absolute discretion to, amongst other things, terminate the WPA by giving written notice of not less than 30 days to Tuaspring.

PUB has since informed Tuaspring that in the event PUB elects to terminate the WPA, PUB will elect to purchase only the desalination plant and in such event, will be willing to waive the compensation sum that may be payable by Tuaspring which PUB is entitled to pursuant to the WPA.

On 18 March 2019, the Company received a notice from SM Investments Pte Ltd ("Investor") referring to the PUB Notice and extracts from the press release by PUB on 5 March 2019 (please refer to the announcement by the Company on SGXNet dated 18 March 2019), asserting that the matters quoted from the press release by PUB amount to a Prescribed Occurrence within the meaning of the Restructuring Agreement, and the Company has 2 weeks to remedy this (ie. 1 April 2019).

As stated in the Company's announcement on 26 March 2019, the Company has been advised that no Prescribed Occurrence has arisen in this respect as PUB has not terminated the WPA. Any statement by PUB that it will terminate the WPA if the defaults are not remedied within the stipulated cure period does not constitute a threat on the part of the Company or Tuaspring to cease its business in the usual and ordinary course, within the meaning of the alleged Prescribed Occurrence.

Tuaspring had, on 27 March 2019, written to request the approval of PUB for an extension of the Default Cure Period (as defined in the 5 March Announcement) to 30 April 2019.



On 29 March 2019, Tuaspring received a letter from PUB setting out PUB's agreement to extend the Default Cure Period to 30 April 2019, save that such extension shall be immediately rescinded upon the occurrence of any of the following events prior to 30 April 2019:

- (a) Approval for the Company's scheme of arrangement is not obtained at the meeting of its creditors on 5 April 2019;
- (b) Approval for Hyflux Membrane Manufacturing (S) Pte Ltd's, Hydrochem (S) Pte Ltd's or Hyflux Engineering Pte Ltd's schemes of arrangement is not obtained at the meetings of their respective creditors on 8 April 2019;
- (c) The High Court does not sanction any of the schemes of arrangement referred to in subparagraphs (a)-(b) above (collectively, the "Schemes"), pursuant to s 210(3AB)(c) of the Companies Act (for this purpose, the rescission shall take effect immediately notwithstanding the filing of any appeal against the High Court's decision not to sanction any of the Schemes);
- (d) The approval as set out in paragraph 5.1(c) of the Restructuring Agreement entered into between SMI and the Company and dated 18 October 2018 (the "Restructuring Agreement") is not obtained at the extraordinary general meeting of the Company;
- (e) Any of the steps for completion, as set out in paragraph 4 of the Restructuring Agreement, is not performed or completed on or before 16 April 2019; or
- (f) The Restructuring Agreement is terminated for any reason.

3. TuasOne

On 15 February 2019, Hyflux Ltd entered into a binding settlement agreement (the "Settlement Agreement") with Mitsubishi Heavy Industries, Ltd. ("MHIL"), Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd. ("MHIECE"), Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. ("MHIAP", and together with MHIL and MHIECE, collectively, "MHI"), Hyflux Engineering Pte. Ltd., Hydrochem, Tuasone Pte. Ltd ("TuasOne") and TuasOne Environmental Engineering Pte. Ltd.

The terms of the Settlement Agreement provide for, among other things, (i) the early injection by MHIL of its additional equity commitment of approximately S\$23 million under the shareholders' support agreement for TuasOne, (ii) the making of payments to MHIECE and MHIAP as sub-contractor for the TuasOne Waste-to-Energy project ("Project"), (iii) the release and discharge of certain claims, including those between Hyflux Ltd, Hydrochem and MHI and (iv) addresses certain operational matters regarding Project so as to facilitate the cooperation of all parties working together to complete the Project.

Under the Settlement Agreement, Hyflux Ltd, MHIL and TuasOne are to use their best endeavours to work collaboratively to obtain the agreement of the project finance lenders to commit to provide all the financing needed for completion of the Project. As stated in the announcement by Hyflux Ltd on SGXNet dated 15 February 2019, Hyflux Ltd, MHIL and TuasOne are required under the Settlement Agreement to use their best endeavours to have TuasOne enter into a settlement agreement with the TuasOne lenders, reflecting and giving effect to the terms of the Settlement Agreement within 60 days of the signing of the Settlement Agreement, or such later date as the parties may mutually agree.

4. Qurayyat

The Commercial Operational Date ("COD") of the plant is now rescheduled to May 2020, pending further tests for compliance with requirements from the offtaker and any necessary changes being made to the equipment depending on the tests. Nonetheless, the plant has been delivering pre-COD water to the offtaker since April 2018 and has been receiving payments from the offtaker.



MAA Kuthari Global LLC (“MKG”) filed a Notice of Arbitration with the Singapore International Arbitration Centre (“SIAC”) on 1 March 2019 to commence arbitration proceedings against Hyflux EPC LLC (“HEL”), an indirect wholly owned subsidiary of Hyflux Ltd, incorporated in the Sultanate of Oman. The Arbitration is in respect of disputes between HEL and MKG arising out of and/or in connection with a sub-contract dated 28 March 2016 for the installation of mechanical, electrical and instrumentation, and control systems for a proposed desalination facility to be developed in Qurayyat (the “Agreement”). As stated in the announcement by Hyflux Ltd on SGXNet dated 8 March 2019, SIAC informed MKG and HEL on 7 March 2019 that the arbitration was deemed to have commenced on 5 March 2019.

This is in accordance with the terms of the Agreement, which provide that all disputes shall be referred to arbitration administered by the SIAC in Singapore. Hyflux Ltd is currently seeking legal advice on MKG’s claims, and will take all necessary steps to protect its rights.

5. Magtaa

On 25 March 2019, Hyflux Ltd received a notice from the Investor asserting another Prescribed Occurrence based on a notice from Sonatrach SpA and L’Algerienne des Eaux (“Magtaa Offtakers”) dated 25 December 2018 alleging certain defaults under the concession agreement for the Magtaa desalination plant in Algeria (“Magtaa WSPA”) and threatening to terminate the Magtaa WSPA in the event that these alleged defaults are not cured by 8 February 2019; and requesting Hyflux Ltd remedy the asserted Prescribed Occurrence within two weeks of the notice (ie, by 8 April 2019).

As stated in the Company’s announcement on 26 March 2019, the Group disputes the asserted defaults and the corresponding right to terminate the Magtaa WSPA based on such asserted defaults. The announcement makes clear that the Group has been taking active steps to resolve the matters set out in the Magtaa Offtakers’ notice, and the Magtaa Offtakers have not terminated the Magtaa WSPA even though the prescribed remedy period for the asserted defaults under the Magtaa Offtakers’ notice expired on 8 February 2019.

Please refer to the announcement by the Company on SGXNet dated 26 March 2019 for further details.

6. Tlemcen

On 5 February 2019, Algerian Energy Company SpA (“AEC”) filed a Request for Arbitration (“Request”) with the International Chamber of Commerce (“ICC”) International Court of Arbitration to commence arbitration proceedings against Tlemcen Desalination Investment Company SAS, Malakoff Corporation Berhad and Hyflux Ltd (collectively, “Respondents”).

The Request is in respect of disputes arising out of and/or in connection with the Water Purchase Agreement dated 9 December 2007, the Framework Agreement entered into in December 2007, the Joint Venture Agreement dated 28 March 2007 and the Dispute Resolution Protocol dated 9 December 2007 in relation to the Plant, each agreement as amended and/or restated from time to time (collectively, “Agreements”).

The Request is made pursuant to the terms of the Agreements, which provide that all disputes shall be referred to arbitration administered by the ICC in Paris.

Pursuant to Article 5(1) of the ICC Rules of Arbitration, the Respondents have 30 days from the receipt of the Request to submit an answer to the Request. As the Request was received by the Company on 22 March 2019, the Company has until 20 April to file an answer. As stated in the announcement by Hyflux Ltd on SGXNet dated 25 March 2019, the Respondents are currently seeking legal advice on AEC’s claims, and will take all necessary steps to protect their rights.

7. Upcoming Meetings

As stated in the Company's circular to shareholders dated 29 March 2019, the timeline for upcoming meetings is as follows:

- (a) Hyflux Ltd Scheme Meetings: 5 April 2019
- (b) Hyflux Membrane Manufacturing (S) Pte Ltd., Hyflux Engineering Pte Ltd., and Hydrochem (S) Pte Ltd. Scheme Meetings: 8 April 2019
- (c) Court Sanction Hearing for Proposed Scheme: 11 April 2019
- (d) Extraordinary General Meeting of Shareholders: 15 April 2019

In the event that the requisite approvals are not obtained, the Proposed SMI Investment and the Proposed Scheme will lapse and if no alternative investor steps in, it is likely that the Group will go into liquidation.

11. Dividend

(a) Current financial period reported on.

Any dividend recommended for the current financial period reported on?

No dividend is recommended for the current financial period reported on.

(b) Corresponding period of the immediately preceding financial year.

Any dividend declared for the corresponding period of the immediately preceding financial year?

In September 2017, the Company declared a tax-exempt (one-tier) dividend to holders of perpetual preference shares, calculated on the basis of 183 days from (and including) 25 April 2017 to (but excluding) 25 October 2017 (being the relevant dividend period). The said preference dividend of \$12.0 mil was paid on 25 October 2017.

(c) Date payable.

Not applicable

(d) Books closure date.

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders.



14. Confirmations pursuant to Listing Rules.

(a) Confirmation pursuant to Rule 705(5) of the Listing Manual

Subject to the exception set out in paragraph 4 and the basis of preparation as set out in paragraph 8, the directors of the Company confirm that to the best of their knowledge, nothing has come to the attention of the board of directors which may render the financial results for the quarter ended 30 September 2018 to be false or misleading in any material aspect.

(b) Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company has received undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1).

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
29 March 2019