



HYFLUX LTD

Company Registration No.: 200002722Z

(Incorporated in the Republic of Singapore)

EMPHASES OF MATTER IN RELATION TO:

- **AUDITED FINANCIAL STATEMENTS OF TUASONE PTE LTD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**
 - **AUDITED FINANCIAL STATEMENTS OF QURAYYAT DESALINATION SAOC FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018 AND 2019**
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Hyflux Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 14 May 2020 titled “Grant of waivers from Rule 705(1), 705(2) and 707(1) of the Listing Manual” (the “**14 May 2020 Announcement**”).

As set out in the 14 May 2020 Announcement, the Singapore Exchange Securities Trading Limited has granted waivers on 13 May 2020 in respect of the preparation of the Group's unaudited financial statements and the holding of the annual general meetings for FY2018 and FY2019.

Further and solely for information purposes, the Company wishes to announce that:

- (a) KPMG LLP, the independent auditors of TuasOne Pte Ltd (“**TuasOne**”), has in their Independent Auditors’ Report dated 22 May 2020, included a section on ‘Material uncertainty related to going concern’ in relation to the audited financial statements of TuasOne for the financial year ended 31 December 2017 (“**FY2017**”); and
- (b) KPMG LLC, the independent auditors of Qurayyat Desalination SAOC (“**QDC**”), has in their Independent Auditor’s Reports dated 28 March 2019 and 2 July 2020, included a section on ‘Material uncertainty related to going concern’ in relation to the audited financial statements of QDC for the financial year ended 31 December 2018 (“**FY2018**”) and financial year ended 31 December 2019 (“**FY2019**”) respectively.

Extracts of the Independent Auditors’ Report and the relevant note to the financial statements of TuasOne and QDC are set out in Appendix 1 to this announcement.

The auditors’ opinions are not modified in respect of the above matters and remain unqualified.

TuasOne is a subsidiary of the Group incorporated in Singapore for the treatment and disposal of waste including remediation activities.

QDC is a subsidiary of the Group incorporated in the Sultanate of Oman for the development of the Qurayyat Independent Water Project, a seawater reverse osmosis desalination plant located in Qurayyat in the Muscat governorate.

Each of TuasOne and QDC has project financing arrangements in respect of its project under which their respective liabilities are limited to the securities each of them has already provided, which do not include any further claims against the Company.

With reference to the waivers granted as set out in the 14 May 2020 Announcement, the consolidated accounts of the Company for FY2018 and FY2019 are not available as yet and the Company is not in a position to make any determination whether the ‘Material uncertainty related to going concern’ in relation to the said financial statements of TuasOne and QDC will have a material impact on its consolidated accounts or the Group’s financial position.

Please monitor SGXNet and the Company’s website for any announcements or updates on the reorganisation process. If you are a holder of any securities of the Company and wish to receive email alerts providing these updates, please register your request at <http://investors.hyflux.com/contacts.html>. Otherwise, all information and updates will be disseminated via SGXNet and/or the Company’s website (<https://www.hyflux.com/financial-reorganisation-exercise/>).

Shareholders and holders of the securities of the Company are advised to exercise caution at all times when dealing in the shares and/or securities of the Company, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Lim Poh Fong

Company Secretary

Submitted to SGX-ST on 27 August 2020

APPENDIX 1

(A) AUDITED FINANCIAL STATEMENTS OF TUASONE FOR FY2017

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITORS REPORT

Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements, which indicates that as at 31 December 2017, the Company has net current liabilities of \$375,030,928 and there were events of default on the Company's \$653 million loan facility occurring subsequent to 31 December 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

EXTRACT OF NOTE 2 TO THE AUDITED FINANCIAL STATEMENTS OF TUASONE FOR FY2017 IN RELATION TO BASIS OF PREPARATION

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the Company's net current liabilities of \$375,030,928 as at 31 December 2017.

On 16 May 2016, the Company secured a \$653 million 27-year loan facility to finance the development, construction and start-up costs of the Waste-to-Energy ("WTE") plant. As at 31 December 2017, \$397.6 million (2016: \$548.6 million) of the loan facility remained undrawn.

On 19 June 2018, pursuant to Section 211B(1) of the Act, the High Court of Singapore granted orders to the Company's holding company, Hyflux Ltd, a moratorium following an application by the holding company. This moratorium has since been extended to expire on 30 July 2020.

Pursuant to conditions set out in relation to the loan facility, one or more events of default has or may have occurred when, amongst other things, the holding company stops making payments on any of its debts and the holding company is granted a moratorium order by the court.

The net current liabilities of the Company as at 31 December 2017 along with the event of default in respect of the Company's loan facility subsequent to 31 December 2017, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business.

However, in December 2019, the Company entered into an Amendment and Restatement Agreement relating to the \$653 million Facility Agreement dated 12 May 2016 ("Amended FA") with the lenders. Following this Amended FA, all defaults under the original finance documents have been waived.

Having regard to the Amended FA and the remaining undrawn loan facilities available to finance the development, construction and start-up costs of the waste-to-energy plant, the directors of the Company consider that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

(B) AUDITED FINANCIAL STATEMENTS OF QDC FOR FY2018

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITORS REPORT

Material uncertainty related to going concern

We draw attention to Note 2 of the financial statements, which indicates that the Company incurred net losses of RO 16,870,062 (2017: RO 2,230,058). As at that date, the Company has accumulated losses amounting to RO 18,248,609 (2017: RO 1,025,458) and its current liabilities exceeds current assets by RO 11,760,561 (Net assets 2017: RO 2,729,658). Furthermore the Company has not yet achieved the contractual revenue on scheduled commercial operation date (SCOD) of 31 May 2017 resulting in loss of revenue RO 6,634,715 (2017: RO 3,889,942) and accumulated in liquidity damages of RO 4,657,328. The management estimated to achieve COD by 31 May 2020. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

EXTRACT OF NOTE 2 TO THE AUDITED FINANCIAL STATEMENTS OF QDC FOR FY2018 IN RELATION TO BASIS OF PREPARATION

Basis of preparation

These financial statements are presented on the assumption that the Company is a going concern. Based on the current available information, the Directors have made an assessment of the Company's ability to continue as a going concern based on the projected cash flow for the next 12 months of the Company.

The Company has not produced water on Scheduled Commercial Operation Date (SCOD) on 31 May 2017 and estimated COD date has been extended till 31 May 2020. Therefore, the Company has incurred a loss for the year ended 31 December 2018 in the amount of RO 16,870,062 (2017: RO 2,230,058). As at 31 December 2018 the Company's accumulated losses were in the amount of RO 18,248,609 (2017: RO 1,025,458) and its registered share capital is 73% eroded.

(C) AUDITED FINANCIAL STATEMENTS OF QDC FOR FY2019

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITORS REPORT

Material uncertainty related to going concern

We draw attention to Note 2 of the financial statements, which indicates that the Company incurred net losses of RO 2,705,768 (2018: RO 16,870,061). As at that date, the Company has accumulated losses amounting to RO 19,778,771 (2018: RO 18,248,609) and its current liabilities exceeds current assets by RO 13,360,421 (2018: RO 11,760,561). Furthermore, the Company has not yet achieved the contractual revenue on scheduled commercial operation date (SCOD) of 31 May 2017 resulting in accumulated loss of capacity investment revenue RO 19,694,750 and accumulated in net liquidated damages expenses of RO 6,333,790. The management estimated to achieve COD by 31 March 2022. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements are prepared on going concern basis based on future cash flow of the Company. Our opinion is not modified in respect of this matter.

EXTRACT OF NOTE 2 TO THE AUDITED FINANCIAL STATEMENTS OF QDC FOR FY2019 IN RELATION TO BASIS OF PREPARATION

Going concern

These financial statements are presented on the assumption that the Company is a going concern. The Company has not produced water on Scheduled Commercial Operation Date (SCOD) on 31 May 2017 and estimated COD date has been extended till 31 March 2022. Therefore, the Company has incurred a loss for the year ended 31 December 2019 in the amount of RO 2,705,768 (2018: RO 16,870,061). As at 31 December 2019 the Company's accumulated losses were in the amount of RO 19,778,771 (2018: RO 18,248,609) and its registered share capital is 79% eroded and its current liabilities exceeds current assets by RO 13,360,421 (2018: RO 11,760,561). Based on the current available information, the Directors have made an assessment of the Company's ability to continue as a going concern based on the projected cash flow for the next 12 months generated from pre-COD operations revenue. The directors of the Company consider that there are reasonable grounds to believe that the Company will be able to pay its liabilities as and when they fall due.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might be necessary if such additional resources are not available and the Company is unable to continue as a going concern.