



**HYFLUX LTD**

Company Registration No: 200002722Z

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**PROPOSED DIVIDEND *IN SPECIE* OF SHARES IN HYFLUXSHOP HOLDINGS PTE. LTD.**

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**1. Introduction**

- 1.1 The Board of Directors of Hyflux Ltd (the “**Company**” or “**Hyflux**”) refers to the Company’s announcement in respect of its unaudited financial statements for the third quarter and nine months ended 30 September 2017 dated 9 November 2017 (the “**Results Announcement**”), wherein it was stated, *inter alia*, that the proposed spin-off of the consumer business, via dividend *in specie*, was in progress, and that a subsequent planned listing will unlock the value of this high growth business for the shareholders of the Company, and provide a dedicated management focus to this segment, which is distinctly different from its traditional municipal and industrial segments. It was also stated that more details will be shared in due course.
- 1.2 Further to the Results Announcement, the Board of Directors of the Company is pleased to announce a proposed dividend *in specie* (the “**Proposed Distribution**”) of approximately 70.0% of the ordinary shares in the issued share capital of Hyfluxshop Holdings Pte. Ltd. (“**Hyfluxshop**”) (the “**Hyfluxshop Shares**”) held by the Company to the shareholders holding ordinary shares of the Company (the “**Shareholders**”). As at the date of this announcement, the Company holds 100% of the total number of issued Hyfluxshop Shares.
- 1.3 The Proposed Distribution, which is subject to the approval of the Shareholders and such other approvals as set out in paragraph 6 below, will be effected by way of a dividend *in specie* to Entitled Shareholders (as defined in paragraph 1.4 below) in proportion to their respective shareholdings in the Company, on the basis of one (1) Hyfluxshop Share for every 10 ordinary shares in the issued share capital of the Company (the “**Hyflux Shares**”) held by Entitled Shareholders as at the Books Closure Date (as defined in paragraph 9.2 below), fractional entitlements to be disregarded.
- 1.4 Save as set out in paragraph 7.3 below, Shareholders holding Hyflux Shares as at the Books Closure Date will be entitled to the Proposed Distribution (the “**Entitled Shareholders**”).
- 1.5 No payment and no other form of consideration will be required from Entitled Shareholders for the Proposed Distribution. The Hyfluxshop Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected.

**2. Information on Hyfluxshop**

- 2.1 As at the date of this announcement, Hyfluxshop is a private company limited by shares incorporated in Singapore. Headquartered in Singapore, Hyfluxshop is the consumer arm of Hyflux, focusing on the health and wellness segment. Hyflux forayed into the consumer business in 2003, focusing on consumer lifestyle products and expanded its product offerings to include the ELO brand in 2015. Hyfluxshop and its subsidiaries (the “**Hyfluxshop Group**”) have three principal lines of products, namely (i) consumer lifestyle products; (ii) ELO Water and its related products and services; and (iii) ELO Green range of products.
- 2.2 The consumer lifestyle products of Hyfluxshop Group include a comprehensive range of sustainable and environmentally friendly water filtration products to provide clean drinking water for consumers. These products do not need energy to perform purification and can effectively

remove contaminants such as pesticides, heavy metals and particles with no water wastage discharge. These products are currently available at retail outlets, e-commerce platforms and are also sold to businesses.

- 2.3 The ELO brand was officially launched in late 2015, featuring a line of oxygen-rich products. ELO Water is a unique oxygen-rich water based on over 10 years of research in water science and technology. ELO Water is created through a revolutionary proprietary technology that allows a high level of oxygen to exist in a unique, stable and bound form in water that is believed to allow quick absorption by the body, restoring its natural balance and enhancing health and overall well-being. The ELO Water range of products are manufactured in Singapore under stringent quality guidelines. An ELO skincare range and ELO Lab bath sessions are also available in the ELO line of products and services, further enhancing the quality of life and wellness of consumers. The Hyfluxshop Group has the exclusive rights to manufacture, sell, market and distribute ELO Water and its related products and services within Asia Pacific, the Middle East and Africa. Currently, the Hyfluxshop Group's main channel of distribution is via its own e-commerce platforms in Singapore, Hong Kong, Australia and China. There are plans to expand distribution to other countries pending regulatory approvals. In Singapore, the Hyfluxshop Group has established two ELO Water therapy centres to provide ELO Lab bath sessions for consumers.
- 2.4 The Hyfluxshop Group's latest offering is the ELO Green range of nutritional products made of natural and non-genetically modified ingredients, formulated by qualified nutritionists and medical experts and manufactured in compliance with stringent Good Manufacturing Practice standards. While the ELO Green range of products are currently marketed online and available at the Hyfluxshop Group's two ELO Water therapy centres, there are plans to distribute the products globally.
- 2.5 It is intended for Hyfluxshop to be converted into a public company upon or immediately prior to the Proposed Distribution. For the avoidance of doubt, after the conversion into a public company, but prior to the Proposed Listing (as defined in paragraph 3.1(a) below), Hyfluxshop will be a public Singapore company whose shares are not quoted on the Official List of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") or on any securities exchange or any other regulated markets.
- 2.6 Prior to the Proposed Distribution, it is anticipated that Hyfluxshop will have in issue 112,183,568 ordinary shares all held by the Company and 20,000,000 non-convertible non-voting perpetual preference shares all held by the Company.

### **3. Rationale for the Proposed Distribution**

- 3.1 The Directors believe that the Proposed Distribution will benefit the Company and Shareholders as follows:

(a) Unlocking Entitled Shareholders' value

Following the Proposed Distribution, Entitled Shareholders will become direct shareholders of Hyfluxshop. The Proposed Distribution enables Entitled Shareholders to participate in the growth of Hyfluxshop free of payment.

Assuming its future growth performance is on track and market conditions of the capital markets are favourable, the Hyfluxshop Group is expected to be in a position to consider the proposed listing of Hyfluxshop on a recognised stock exchange ("**Proposed Listing**"). More information on the Proposed Listing will be found in the Circular (as defined in paragraph 9.1 below). Following the completion of the Proposed Listing, Entitled Shareholders would have direct shareholding in two (2) separately listed companies, namely Hyflux and Hyfluxshop, without the need for any additional cash outlay. Entitled Shareholders will be able to separately manage their portfolio holdings in Hyflux and Hyfluxshop in accordance with their individual investment objectives.

- (b) Enable Entitled Shareholders to participate in the growth of Hyfluxshop and enjoy the potential appreciation in value of Hyfluxshop in the future

The Hyfluxshop Group is at an early stage of growth. By distributing unlisted Hyfluxshop Shares to Entitled Shareholders at Hyfluxshop Group's pro forma consolidated net tangible assets value of approximately S\$0.1783 per Hyfluxshop Share before the Proposed Listing, Entitled Shareholders will get to participate at the onset of growth of the Hyfluxshop Group and ride on the potential appreciation in the value of the Hyfluxshop Shares in the future especially if and when the Proposed Listing happens.

- (c) More reflective valuation

Separating the Hyfluxshop Group from the Company and its subsidiaries (the "**Group**") enables Entitled Shareholders and potential investors to value the Hyfluxshop Group separately from the other businesses of the Group based on their respective performance and growth potential. This will allow for valuations that are more reflective of the underlying value and growth potential of the businesses of the Hyfluxshop Group and the Group respectively.

- (d) Enable management's focus on core businesses

The principal activities, business strategies and future plans of the Hyfluxshop Group are distinct from that of the rest of the Group. The Proposed Distribution will enable the management of the Group and the Hyfluxshop Group to better focus on their respective core businesses and oversee their respective strategies and operations more effectively.

#### **4. Details of the Proposed Distribution**

- 4.1 Save as set out in paragraph 7.3 below, Shareholders who are registered in the Register of Members and/or are Depositors (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore) whose securities accounts are credited with Hyflux Shares up to the close of business at 5.00 p.m. on the Books Closure Date, being the Entitled Shareholders, will be entitled to the Proposed Distribution.
- 4.2 As at the date of this announcement, the Company holds 100% of the total number of issued Hyfluxshop Shares. Following the Proposed Distribution, the Company is envisaged to hold a direct interest of approximately 30.0% of the total number of issued Hyfluxshop Shares.
- 4.3 The Proposed Distribution will be effected by way of a dividend *in specie* of Hyfluxshop Shares to Entitled Shareholders on the basis of one (1) Hyfluxshop Share for every 10 Hyflux Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, or otherwise dealt with in such manner and on such terms and conditions as the Directors deem fit. Accordingly, for illustrative purposes, a Shareholder who holds:
  - (a) 10 Hyflux Shares as at the Books Closure Date, would receive one (1) Hyfluxshop Share;
  - (b) 100 Hyflux Shares as at the Books Closure Date, would receive 10 Hyfluxshop Shares;  
and
  - (c) 1,000 Hyflux Shares as at the Books Closure Date, would receive 100 Hyfluxshop Shares.
- 4.4 As at the date of this announcement, the total issued share capital of the Company comprises 785,284,989 Hyflux Shares (excluding 79,246,000 Hyflux Shares held as treasury shares). For illustrative purposes, based on such total number of issued Hyflux Shares (excluding the Hyflux Shares held as treasury shares) and assuming that the Company does not purchase or otherwise acquire any Hyflux Shares on or before the Books Closure Date and that no options will be exercised up to the Books Closure Date, it is envisaged that:

- (a) up to 78,528,498 Hyfluxshop Shares, representing approximately 70.0% of the total number of issued Hyfluxshop Shares, will be distributed pursuant to the Proposed Distribution; and
- (b) following the Proposed Distribution, the Company will own approximately 30.0% of the total number of issued Hyfluxshop Shares.

The final number of Hyfluxshop Shares to be distributed to Entitled Shareholders will depend on, *inter alia*, the total number of issued Hyflux Shares held by Entitled Shareholders as at the Books Closure Date.

- 4.5 Based on the pro forma consolidated net tangible assets (“**NTA**”) of the Hyfluxshop Group (excluding any preference shares) of approximately S\$20.0 million as at 30 September 2017, the dividend *in specie* of approximately 70.0% of the total number of issued Hyfluxshop Shares would amount to a dividend distribution of approximately S\$14.0 million to Entitled Shareholders. The dividend to be declared for each Hyflux Share is therefore expected to be approximately S\$0.0178, to be satisfied by the distribution of one (1) Hyfluxshop Share for every 10 Hyflux Shares. To effect the Proposed Distribution as a dividend *in specie*, the Company will appropriate an amount of approximately S\$14.0 million out of the retained profits of the Company to meet the amount of dividend to be declared based on the carrying value of the Hyfluxshop Group.
- 4.6 Prior to the Proposed Listing, Entitled Shareholders should note that they will hold shares in Hyfluxshop, a public Singapore company whose shares are not quoted on the Official List of the SGX-ST or on any securities exchange or any other regulated markets, and Entitled Shareholders will therefore not be able to easily trade in such Hyfluxshop Shares.

## 5. Financial Effects of the Proposed Distribution

For illustrative purposes, the financial effects of the Proposed Distribution on the Group are set out in Appendix A. The said financial effects are for illustrative purposes only and do not represent any projection of the actual or probable future financial position or financial performance of the Group after the Proposed Distribution.

## 6. Conditions for the Proposed Distribution

The Proposed Distribution is subject to the following:

- (a) the passing of an ordinary resolution by Shareholders to approve the Proposed Distribution at an extraordinary general meeting of the Company (the “**EGM**”) to be convened; and
- (b) the satisfaction of any regulatory approvals which may be required in connection with the Proposed Distribution (the “**Approvals**”).

## 7. Administrative procedures relating to the Proposed Distribution

- 7.1 **Shareholders (being Depositors) whose Hyflux Shares are deposited with CDP.** In the case of Shareholders (being Depositors), entitlements to the Hyfluxshop Shares will be determined on the basis of the number of Hyflux Shares standing to the credit of their respective securities accounts as at the Books Closure Date. Shareholders (being Depositors) are required to take the necessary actions to ensure that the Hyflux Shares owned by them are credited to their securities accounts by the Books Closure Date. Subject to the Proposed Distribution being approved by Shareholders at the EGM and the satisfaction of the Approvals, the securities accounts of Entitled Shareholders who are Depositors will be credited with Hyfluxshop Shares. CDP will send such Depositor a notification letter confirming the number of Hyfluxshop Shares that has been credited to his securities account.
- 7.2 **Scrip Shareholders whose Hyflux Shares are not deposited with CDP.** In the case of Scrip Shareholders whose Hyflux Shares are not deposited with CDP, entitlements to the Hyfluxshop

Shares will be determined on the basis of their holdings of Hyflux Shares appearing in the Register of Members as at the Books Closure Date. Persons who own Hyflux Shares and who have not already done so, are requested to take the necessary actions to ensure that the Hyflux Shares owned by them are registered in their names or in the names of their nominees in the Register of Members by the Books Closure Date. Subject to the Proposed Distribution being approved by Shareholders at the EGM and the satisfaction of the Approvals, Entitled Shareholders who are not Depositors will be credited with Hyfluxshop Shares by the entry of their names on the Register of Members of Hyfluxshop to be maintained by the share registrar of Hyfluxshop.

- 7.3 **Overseas Shareholders.** The distribution of the Hyfluxshop Shares to Shareholders whose registered addresses as at the Books Closure Date, as recorded in the Registers of Members or in the Depository Register maintained by The Central Depository (Pte) Limited (“CDP”) (as the case may be) for the service of notice and documents, are outside Singapore (“**Overseas Shareholders**”) may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Overseas Shareholders are required to inform themselves of and to observe any such prohibition or restriction at their own expense and without liability to the Company.

For practical reasons and in order to avoid violating applicable securities laws outside Singapore, the Hyfluxshop Shares will not be distributed to Overseas Shareholders who have not at least three (3) market days prior to the Books Closure Date provided the Company’s Share Registrar (Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623) or CDP, as the case may be, with addresses in Singapore for the service of notices or documents in accordance with the foregoing.

Accordingly, Overseas Shareholders whose registered addresses as at the Books Closure Date are outside Singapore will not receive the Hyfluxshop Shares in the Proposed Distribution and shall not be entitled to make any claim whatsoever against the Company or any other person in connection therewith.

## 8. Indicative Timetable

The following are the indicative dates of events relating to the Proposed Distribution. Shareholders should note that the dates for the events which are scheduled to take place after the date of this announcement are indicative only and are subject to changes at the Company’s absolute discretion as well as applicable regulatory requirements. Any changes (including any determination of the relevant dates) to the timetable below will be announced by the Company.

Expected date of despatch of Circular	:	17 January 2018 (Wednesday)
Expected date of the EGM	:	1 February 2018 (Thursday)
Expected last date and time of “cum” trading of the Hyflux Shares on the SGX-ST	:	2 February 2018 (Friday)
Expected commencement of “ex” trading of the Hyflux Shares on the SGX-ST	:	5 February 2018 (Monday)
Expected Books Closure Date (subject to the Proposed Distribution being approved at the EGM)	:	7 February 2018 (Wednesday)

## 9. Further Information and Information on the Books Closure Date

- 9.1 A circular to Shareholders (the “**Circular**”) in relation to the Proposed Distribution, together with a notice of EGM to be convened, will be despatched to Shareholders in due course, on or about 17 January 2018.
- 9.2 Subject to the Proposed Distribution being approved by Shareholders at the EGM, notice is hereby given that the Register of Members and the Share Transfer Books of the Company will be closed from 5.00 p.m. on 7 February 2018 (the “**Books Closure Date**”) for the purpose of determining the entitlements of Shareholders to Hyfluxshop Shares pursuant to the Proposed Distribution.
- Duly completed registrable transfers of ordinary shares received by the Company’s Share Registrar Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 7 February 2018 will be registered to determine Shareholders entitlements to the Proposed Distribution.
- Shareholders whose securities accounts with CDP are credited with Hyflux Shares at 5.00 p.m. on 7 February 2018 will be entitled to the Proposed Distribution.
- 9.3 In the meantime, Shareholders are advised to refrain from taking any action in relation to their Hyflux Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations to be set out in the Circular.

By Order of the Board

**Lim Poh Fong**  
Company Secretary  
28 December 2017

**ILLUSTRATIVE FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION**

1. The illustrative financial effects of the Proposed Distribution on selected financial information of the Group have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 ("FY2016") and the unaudited pro forma combined financial information of the Hyfluxshop Group for the 9-month period ended 30 September 2017 and take into account the following bases and assumptions:
  - (a) the transaction costs incurred for the Proposed Distribution are insignificant and ignored for computational purposes;
  - (b) the NTA as at 31 December 2016 has been prepared on the assumption that the Proposed Distribution had been completed on 31 December 2016;
  - (c) the EPS has been prepared on the assumption that the Proposed Distribution had been completed on 1 January 2016; and
  - (d) the Hyfluxshop Shares amount to 70% of the total issued share capital (excluding preference shares) of Hyfluxshop, representing a dividend distribution of approximately S\$14.0 million, based on the unaudited pro forma combined NTA of the Hyfluxshop Group (excluding preference shares) of approximately S\$20.0 million as at 30 September 2017.

The said financial effects are purely for illustrative purposes only and do not reflect the actual or probable financial position of the Group after the completion of the Proposed Distribution.

2. The illustrative financial effects of the Proposed Distribution on the Group's NTA and NTA per share as at 31 December 2016 are as follows:

	<b>Before Proposed Distribution</b>	<b>After Proposed Distribution</b>
NTA (S\$' million)	420.1	406.1
NTA per share (cents)	53.50	51.71

3. The illustrative financial effects of the Proposed Distribution on the Group's earnings for FY2016 are as follows:

	<b>Before Proposed Distribution</b>	<b>After Proposed Distribution</b>
Net profit (S\$' million)	4.8	9.5
EPS per share (cents)	(7.51)	(6.91)