

CIRCULAR DATED 17 JANUARY 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the share capital of Hyflux Ltd, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular shall not be construed as, and does not constitute, a notice, proposal, advertisement, offer, invitation or solicitation in any jurisdiction or in any circumstance in which such a notice, proposal, advertisement, offer, invitation or solicitation is unlawful or not authorised, or to any person to whom it is unlawful to make such a notice, proposal, advertisement, offer, invitation or solicitation.

Terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.



HYFLUX LTD

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**THE PROPOSED DIVIDEND *IN SPECIE* OF SHARES IN HYFLUXSHOP HOLDINGS PTE. LTD.
TO ENTITLED SHAREHOLDERS ON THE BASIS OF ONE (1) HYFLUXSHOP SHARE
FOR EVERY 10 HYFLUX SHARES AS AT THE BOOKS CLOSURE DATE**

Financial Adviser to the Company in relation to the Proposed Distribution



PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Company Registration No.: 200207389D)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	Monday, 29 January 2018 at 2.30 p.m.
Date and time of Extraordinary General Meeting	:	Thursday, 1 February 2018 at 2.30 p.m.
Venue of Extraordinary General Meeting	:	Hyflux Innovation Centre 80 Bendemeer Road Singapore 339949

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IMPORTANT NOTICE TO OVERSEAS SHAREHOLDERS

Terms appearing in this notice bear the same meanings as defined in this Circular.

The distribution of this Circular and the HyfluxShop Shares to Overseas Shareholders may be prohibited or restricted by law (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. It is the responsibility of Overseas Shareholders in such jurisdictions to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtainment of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities which may be required to be observed and/or the payment of any issue, transfer or other taxes which may be due in such jurisdictions.

This Circular may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised nor to any person to whom it is unlawful to make such offer or invitation.

As set out in paragraph 2.8.7(g) of this Circular, 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 pursuant to the Proposed Distribution and shall not be entitled to make any claim whatsoever against the Company or any other person in connection therewith.

IMPORTANT NOTICE TO SCRIP SHAREHOLDERS

Terms appearing in this notice bear the same meanings as defined in this Circular.

Scrip Shareholders should note that 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 (if any), Entitled Shareholders who are not Depositors will be credited with HyfluxShop Shares by the entry of their names as well as the relevant number of HyfluxShop Shares to be distributed to them on the register of members of HyfluxShop to be maintained by the share registrar of HyfluxShop. The physical share certificates in respect of the HyfluxShop Shares will be sent to such Scrip Shareholders by registered post to their addresses stated in the register of members of HyfluxShop.

Scrip Shareholders who wish to have the HyfluxShop Shares credited to their Securities Accounts pursuant to the Proposed Distribution should deposit with CDP their existing share certificates in respect of their Hyflux Shares, together with the duly executed instruments of transfer in favour of CDP, no later than 5.00 p.m. on the date falling 12 Market Days prior to the Books Closure Date so as to enable CDP to credit their Securities Accounts with the relevant Hyflux Shares by the Books Closure Date and thereafter for CDP to credit their Securities Accounts with the HyfluxShop Shares.

MARKET AND INDUSTRY INFORMATION

Market data and certain industry forecasts used throughout this Circular were obtained from market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, market research, publicly available information and industry publications, while believed to be reliable, have not been independently verified, and the Company does not make any representation as to the accuracy of such information.

As indicated in this Circular, certain facts and statistics in this Circular relating to the health and wellness industries are derived from the following publicly-available industry, government and research publications:

- A report entitled “*Global Wellness Economy Monitor*” published in January 2017 by Global Wellness Institute;
- An online factsheet entitled “*Obesity and Overweight factsheet*” published in October 2017 by the World Health Organisation. A copy of the factsheet is available on the World Health Organisation website at www.who.int/mediacentre/factsheets/fs311/en/;
- An article entitled “*Singapore Tops for Medical Tourism but Rivals Catching Up Quickly*” published on 6 June 2017 by The Straits Times;
- A report entitled “*Top 5 Emerging Markets with the Best Middle Class Potential*” published on 20 September 2015 by Euromonitor International;
- An online factsheet entitled “*Global Issues – Water*” published by United Nations. A copy of the factsheet is available on the United Nations website at www.un.org/en/sections/issues-depth/water/;
- An article entitled “*Solving Asia’s Water Woes by 2030*” published on 9 July 2016 by The Straits Times;
- An article entitled “*140m in SE Asia do not have clean water*” published on 8 November 2016 by The Straits Times;
- An article entitled “*Spore and US to create first diabetes registry*” published on 6 November 2015 by The Straits Times;
- An online factsheet entitled “*Facts and Figures*” published by the Asian Diabetes Prevention Initiative. A copy of the factsheet is available on the Asian Diabetes Prevention Initiative website at www.asiandiabetesprevention.org/what-is-diabetes/facts-and-figures;
- An article entitled “*Singapore has second highest proportion of diabetes*” published on 2 December 2015 by The Straits Times;
- A report entitled “*Diabetes: the War Continues*” published on 22 August 2017 by the Ministry of Health, Singapore; and
- An online factsheet entitled “*IDF Diabetes Atlas 8th edition 2017*” published by the International Diabetes Federation at www.diabetesatlas.org;
- A report entitled “*Global Industry Perspective, Comprehensive Analysis and Forecast 2016 – 2022*” published on 5 January 2017 by Zion Market Research.

The Directors have confirmed that the statistical data attributed to Global Wellness Institute, the World Health Organisation, The Straits Times, Euromonitor International, United Nations, the Asian Diabetes Prevention Initiative, the Ministry of Health, Singapore, International Diabetes Federation and Zion Market Research in this Circular have been extracted from the above said sources in their proper form and context. While the Directors believe that the sources listed above are reliable in the context of the information extracted, the Directors have not verified the accuracy of the information extracted nor have they obtained the specific consent of these sources for the inclusion of such data in this Circular. Accordingly, Global Wellness Institute, the World Health Organisation, The Straits Times, Euromonitor International, United Nations, the Asian Diabetes Prevention Initiative, the Ministry of Health, Singapore and Zion Market Research would not be liable for the information extracted from their publications listed above and used in this Circular. The Directors are also not aware of any disclaimers made by Global Wellness Institute, the World Health Organisation, The Straits Times, Euromonitor International, United Nations, the Asian Diabetes Prevention Initiative, the Ministry of Health, Singapore, International Diabetes Federation and Zion Market Research in relation to the reliance on the contents of their publications listed above.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “Approvals”** : Any regulatory approvals which may be required in connection with the Proposed Distribution
- “Associate”** : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Books Closure Date”** : 7 February 2018, from 5.00 p.m., or such other time and date as may be determined by the Directors in their absolute discretion as they deem fit and announced by the Company, at and on which the Register of Members and the share transfer books of the Company will be closed for the purpose of determining the entitlements of Shareholders to HyfluxShop Shares pursuant to the Proposed Distribution
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 17 January 2018 in relation to the Proposed Distribution
- “Code”** : The Singapore Code on Take-overs and Mergers
- “Committee (HyfluxShop)”** : The committee to be appointed by the directors of HyfluxShop to administer the HyfluxShop ESIS
- “Companies Act”** : The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
- “Company” or “Hyflux”** : Hyflux Ltd

“Constitution”	:	The constitution of the Company, as the same may be amended, supplemented or modified from time to time
“Controlling Shareholder”	:	Ms Olivia Lum Ooi Lin, the Executive Chairman and Group CEO and a controlling shareholder of the Company
“Controlling Shareholder Purchase”	:	The resulting purchase by the Controlling Shareholder of unlisted HyfluxShop Shares from HyfluxShop Shareholders who offer to sell their unlisted HyfluxShop Shares during the Purchase Period as contemplated in paragraph 4.3 of this Circular
“CPF”	:	Central Provident Fund
“CPF Funds”	:	The CPF account savings of CPF members under the CPFIS
“CPFIS”	:	The CPF Investment Scheme
“CPFIS Investors”	:	Investors who have subscribed for or purchased Hyflux Shares using their respective CPF Funds and which Hyflux Shares are held on their behalf by CPF-approved agent banks
“Controlling Shareholder Purchase Form (Scrip Form Shares)”	:	Form of transfer which will be despatched to Entitled Shareholders whose HyfluxShop Shares are not deposited with CDP on the Date of Forms Despatch
“Controlling Shareholder Purchase Form (Scripless Shares)”	:	Form of authorisation which will be despatched to Entitled Shareholders whose HyfluxShop Shares are deposited with CDP on the Date of Forms Despatch
“Date of Completion”	:	The date, to be determined by the Directors and announced by the Company, on which the HyfluxShop Shares are credited into the Securities Accounts of the Entitled Shareholders who are Depositors pursuant to the Proposed Distribution
“Date of Forms Despatch”	:	The date, to be determined and announced by HyfluxShop on its corporate website at www.hyfluxshop.com , on which the Controlling Shareholder Purchase Form (Scripless Shares) and Controlling Shareholder Purchase Form (Scrip Form Shares) are despatched to Entitled Shareholders
“Date of Receipt”	:	The date of receipt of the Controlling Shareholder Purchase Form (Scripless Shares) by CDP from the Receiving Agent
“Directors”	:	The directors of the Company as at the Latest Practicable Date

“EGM”	:	The extraordinary general meeting of the Company to be held on Thursday, 1 February 2018 at 2.30 p.m., notice of which is given in the Notice of EGM set out on pages 50 and 51 of this Circular (or any adjournment thereof)
“Employee (HyfluxShop)”	:	An employee (including an employee holding a non-managerial position) of HyfluxShop including any Executive Director and Non-Executive Director
“Entitled Shareholders”	:	Shareholders as at the Books Closure Date, save for (i) Overseas Shareholders who have not at least three (3) Market Days prior to the Books Closure Date provided the Company’s Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices or documents, and (ii) any Shareholder who holds nine (9) Hyflux Shares or less as at the Books Closure Date
“EPS”	:	Earnings per Hyflux Share
“Exercisable Share Options”	:	19,567,000 vested Share Options granted by the Company that can be exercised as at the Latest Practicable Date
“Group”	:	The Company and its subsidiaries
“Hyflux Shares”	:	Ordinary shares in the issued share capital of the Company
“HyfluxShop”	:	HyfluxShop Holdings Pte. Ltd.
“HyfluxShop ESIS”	:	HyfluxShop Employees’ Share Incentive Scheme
“HyfluxShop Group”	:	HyfluxShop and its subsidiaries at the relevant time
“HyfluxShop Preference Shares”	:	The non-convertible non-voting perpetual HyfluxShop preference shares to be issued in the capital of HyfluxShop
“HyfluxShop Share Options”	:	The share options to be granted to participants pursuant to the HyfluxShop ESIS to be adopted by HyfluxShop
“HyfluxShop Shares”	:	Ordinary shares in the issued share capital of HyfluxShop
“HyfluxShop Shareholders”	:	Persons who are registered as holders of HyfluxShop Shares in the register of members of HyfluxShop, except that where the registered holder is CDP, the term “HyfluxShop Shareholders” shall, in relation to such HyfluxShop Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts are credited with HyfluxShop Shares
“Latest Practicable Date”	:	8 January 2018, being the latest practicable date prior to the printing of this Circular

“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Notice of EGM”	:	The notice of EGM in respect of the Proposed Distribution, as set out on pages 50 and 51 of this Circular
“NTA”	:	Net tangible assets
“Overseas Shareholders”	:	Shareholders whose registered addresses as at the Books Closure Date, as recorded in the Register of Members or in the Depository Register maintained by CDP (as the case may be) for the service of notices and documents, are outside Singapore
“Parity Obligations (HyfluxShop Preference Shares)”	:	<p>Any preference shares or other similar obligations of HyfluxShop which are not expressly stated to rank in all material respects senior or junior to:</p> <p>(a) the HyfluxShop Preference Shares; or</p> <p>(b) any other guarantee given or support agreement entered into by HyfluxShop in respect of any preference shares, or other preferred securities (not constituting debt obligations) having in all material respects the same ranking as preference shares, issued by any subsidiary of HyfluxShop and are not expressly stated to rank in all material respects senior or junior to the HyfluxShop Preference Shares</p>
“PPCF”	:	PrimePartners Corporate Finance Pte. Ltd.
“Proposed Distribution”	:	The proposed dividend <i>in specie</i> of HyfluxShop Shares to Entitled Shareholders in proportion to their respective shareholdings in the Company as at the Books Closure Date, on the basis of one (1) HyfluxShop Share for every 10 Hyflux Shares, as described in this Circular, fractional entitlements to be disregarded
“Proposed Listing”	:	The proposed listing of HyfluxShop on a recognised stock exchange
“Purchase Period”	:	The period starting from the Date of Forms Despatch and ending on the earlier of: (i) the 30th day thereafter; (ii) subject to any further rulings from the SIC, the Controlling Shareholder holding 29.99% of the total number of issued HyfluxShop Shares pursuant to the Controlling Shareholder Purchase; or (iii) such other period as may be announced by HyfluxShop or the Controlling Shareholder from time to time
“Receiving Agent”	:	Boardroom Corporate & Advisory Services Pte. Ltd.

“Register of Members”	:	The register of members of the Company kept in accordance with Section 190 of the Companies Act
“Scrip Shareholders”	:	Shareholders whose Hyflux Shares are not deposited with CDP and whose registered addresses as at the Books Closure Date, as recorded in the Register of Members for the service of notices and documents, are in Singapore
“Securities Account”	:	A securities account maintained by a Depositor with CDP, but not including a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Options”	:	The outstanding share options granted to participants pursuant to the Hyflux Employees’ Share Option Scheme (the 2001 Scheme) of the Company adopted on 27 September 2001, which expired on 26 September 2011 and its replacement, the Hyflux Employees’ Share Option Scheme (the 2011 Scheme) of the Company in force since 27 September 2011 and expiring on 26 September 2021
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“Shareholders”	:	Persons who are registered as holders of Hyflux Shares in the Register of Members, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Hyflux Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts are credited with Hyflux Shares
“SIC”	:	Securities Industry Council
“SRS”	:	Supplementary Retirement Scheme
“Substantial Shareholder”	:	In relation to the Company whose share capital is divided into two (2) or more classes of shares, a person who has an interest or interests in one (1) or more voting shares (excluding treasury shares) in one (1) of those classes, and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares (excluding treasury shares) in that class
“US\$” and “US cents”	:	US dollars and cents respectively, representing the lawful currency of the United States of America
“%” or “per cent.”	:	Percentage or per centum

“S\$” and “cents” : Singapore dollars and cents respectively, representing the lawful currency of Singapore

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term **“Subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*.

Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Reference to persons shall include corporations and limited liability partnerships.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act or the Listing Manual or any amendment or modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Securities and Futures Act or the Listing Manual or such amendment or modification thereof, as the case may be.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof (if any) are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

INDICATIVE TIMETABLE

The following are the indicative dates and times of events relating to the Proposed Distribution. Shareholders should note that the dates and times for the events which are scheduled to take place after the EGM 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.

Last date and time for lodgement of Proxy Forms ⁽¹⁾ for the EGM	: Monday, 29 January 2018 at 2.30 p.m.
Date and time of the EGM	: Thursday, 1 February 2018 at 2.30 p.m.
Expected last date of "cum" trading of the Hyflux Shares on the SGX-ST	: Friday, 2 February 2018
Expected commencement of "ex" trading of the Hyflux Shares on the SGX-ST	: Monday, 5 February 2018
Expected Books Closure Date	: Wednesday, 7 February 2018
Expected Date of Completion, being the date the HyfluxShop Shares are credited into the Securities Accounts of Entitled Shareholders who are Depositors	: Thursday, 15 February 2018

Note:

- (1) All Proxy Forms must be duly completed and deposited at the registered office of the Company at Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949, not later than 72 hours before the time appointed for the EGM. Completion and return of a Proxy Form will not preclude the Shareholder from attending and voting at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

LETTER TO SHAREHOLDERS

HYFLUX LTD

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

Directors

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

Registered Office

Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949

17 January 2018

To: Shareholders of Hyflux Ltd

Dear Sir/Madam

PROPOSED DIVIDEND *IN SPECIE* OF SHARES IN HYFLUXSHOP HOLDINGS PTE. LTD. TO ENTITLED SHAREHOLDERS ON THE BASIS OF ONE (1) HYFLUXSHOP SHARE FOR EVERY 10 HYFLUX SHARES AS AT THE BOOKS CLOSURE DATE

1. INTRODUCTION

1.1 Proposed Distribution. On 28 December 2017, Hyflux announced a proposed dividend *in specie* of approximately 70.0% of the ordinary shares in HyfluxShop, held directly by the Company, to the Shareholders. As at the Latest Practicable Date, the Company holds 112,183,568 HyfluxShop Shares, representing 100.0% of the total number of issued HyfluxShop Shares. Following the Date of Completion, the Company is envisaged to have a direct interest of approximately 30.0% of the total number of issued HyfluxShop Shares.

The Proposed Distribution, which is subject to the approval of the Shareholders and satisfaction of the Approvals (if any) as set out in paragraph 2.8.6 of this Circular, will be effected by way of a dividend *in specie* to Entitled Shareholders in proportion to their respective shareholdings in the Company, 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. As an illustration, an Entitled Shareholder who holds 10 Hyflux Shares as at the Books Closure Date will receive one (1) HyfluxShop Share while an Entitled Shareholder who holds 100 Hyflux Shares as at the Books Closure Date will receive 10 HyfluxShop Shares.

The Securities Accounts of Entitled Shareholders who are Depositors will be credited with the HyfluxShop Shares. 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. Please refer to paragraph 2.8.7 of this Circular for further details on the administrative procedures relating to the Proposed Distribution.

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. For the avoidance of doubt, the Proposed Distribution will be deemed to be completed on the Date of Completion, which is expected to be on or about 15 February 2018. The Date of Completion shall be determined by the Directors and announced by the Company after the EGM. Any rights to distributions from HyfluxShop will only accrue to the Entitled Shareholders on and from the Date of Completion. Entitled Shareholders will have no right to distributions from HyfluxShop where the books closure date for determining entitlements to such distribution from HyfluxShop falls prior to the Date of Completion.

A copy of the announcement dated 28 December 2017 on the Proposed Distribution is available on the SGX-ST's website at www.sgx.com.

- 1.2 **EGM.** The Directors are convening the EGM to seek Shareholders' approval for the Proposed Distribution. The Notice of EGM is set out on pages 50 and 51 of this Circular.
- 1.3 **Circular.** The purpose of this Circular is to provide Shareholders with information relating to, the rationale for, and the pro forma financial effects of, and to seek Shareholders' approval at the EGM for, the Proposed Distribution.
- 1.4 **SGX-ST.** The SGX-ST takes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED DISTRIBUTION

- 2.1 **Background.** As a global provider of sustainable solutions, the Group is committed to resource optimisation and sustainable development. The Group is a specialist in water treatment with full value chain capabilities spanning research and development, manufacturing, engineering, procurement and construction as well as operations and maintenance. Among the top desalination plant providers globally, the Group has developed landmark projects including one of the world's largest seawater reverse osmosis desalination plants in Algeria and Asia's first integrated water and power plant in Singapore. In addition to seawater desalination and water treatment, the Group's offerings include power generation and waste-to-energy.

Currently included within the Group is a relatively small but fast-growing consumer business, structured under the HyfluxShop Group. The principal activities, business strategies and future plans of the HyfluxShop Group are focused on the health and wellness segments, and are therefore distinctly different from the Group's municipal and industrial segments. The HyfluxShop Group offers a full suite of health and wellness consumer solutions to provide clean drinking water, enhance health and wellness with oxygen-rich water as well as provide nutritional supplements to complement the modern lifestyle.

The Group recognises that, in order to maximise the growth of the HyfluxShop Group, it is necessary to provide dedicated management focus and attract talent with skillsets and mindsets which are different from those existing within its main infrastructure business. Hyflux is thus proposing to undertake a dividend *in specie* of the HyfluxShop Group to Entitled Shareholders. The subsequent Proposed Listing of the HyfluxShop Group will also further unlock value for HyfluxShop Shareholders.

2.2 **Information on HyfluxShop Group.** As at the Latest Practicable Date, 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 segments. 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. The HyfluxShop Group has three (3) 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.

The consumer lifestyle products of the HyfluxShop Group currently include a comprehensive range of sustainable and environmentally-friendly water filtration products used to provide clean drinking water to 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 and e-commerce platforms and are also sold to businesses.

The ELO brand was officially launched in late 2015 and features 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 baths are also available in the ELO Water range 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 the Asia Pacific, the Middle East and Africa. Currently, the HyfluxShop Group's main channels of distribution are via its e-commerce platforms in Singapore, Hong Kong, Australia and China. There are plans to further expand distribution to other markets pending regulatory approvals. In Singapore, the HyfluxShop Group has established two (2) ELO Water therapy centres to provide ELO Lab baths for consumers.

The HyfluxShop Group's latest offering is the ELO Green range of nutritional products made of natural and non-genetically modified ("**non-GMO**") 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 (2) ELO Water therapy centres, there are plans to distribute the products globally.

The revenue from the consumer business has more than doubled in the last two (2) years, although it remains a relatively insignificant business within the Group. Based on the unaudited pro forma combined financial information of the HyfluxShop Group for the financial year ended 31 December 2016 ("**FY2016**"), the revenue and total assets of the HyfluxShop Group represent approximately 0.5% and 1.0% of the Group's revenue and total assets in FY2016 respectively, and the HyfluxShop Group generated an estimated net loss before tax of approximately S\$6.3 million in FY2016.

As the consumer business is currently not a significant contributor to the performance and net assets of the Group and that the business is distinctly different from the Group's municipal and industrial segments of business, the Board is of the view that the Proposed Distribution will not affect the operations and financials of the remaining businesses of the Group.

2.3 Competitive Strengths

2.3.1 Well established Hyflux brand and reputation

As a global provider of sustainable solutions, Hyflux has established a strong brand name in the water industry over 28 years. Hyflux is synonymous with reliability, quality and safety. Hyflux's award-winning landmark projects are testament to its engineering capabilities.

With a strong track record founded on technology and engineering expertise, the Hyflux brand and dedication to excellence extends to its consumer range of product offerings encompassed within the HyfluxShop portfolio.

2.3.2 Well positioned in the health and wellness industries

HyfluxShop's entry into the health and wellness industries is timely. The wellness industry has experienced sharp growth in the last few years. Global Wellness Institute¹ reported that the global wellness market has reached US\$3.7 trillion in 2015. Global wellness tourism alone reached US\$563.2 billion in 2015, a growth of 14% from 2013¹. With rising affluence, lifestyle and diet changes and increased urbanisation, the World Health Organisation² reported in October 2017 that worldwide obesity has nearly tripled since 1975. More than 1.9 billion adults aged 18 years old and above are overweight. Out of this, over 640 million are obese². Obesity leads to many diseases such as diabetes, high blood pressure, heart disease and stroke².

Since 2013, the Asian market has seen increasing wellness trips and wellness tourism expenditures, continuing a trend that is propelled by a rising middle class, increasing intra-Asia tourism and growing consumer interest in wellness. In Asia, similar to global trends, affluence-associated diseases such as obesity, diabetes and heart diseases among others are also rising at unprecedented rates.

Within the Asian market, Singapore has achieved world-class standards in healthcare and tops the region for medical tourism³. In Singapore alone, the medical tourism expenditure reached S\$832 million in 2013 and S\$994 million in 2014³. The wellness industry in Asia is expected to grow in tandem with a rise in middle class income as a significant portion of the new Asian middle classes is expected to have higher disposable incomes⁴.

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- 1 Source: "*Global Wellness Economy Monitor*" published in January 2017 by Global Wellness Institute. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 2 Source: "*Obesity and Overweight factsheet*" published in October 2017 by the World Health Organisation. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 3 Source: "*Singapore Tops for Medical Tourism but Rivals Catching Up Quickly*" published on 6 June 2017 by The Straits Times. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 4 Source: "*Top 5 Emerging Markets with the Best Middle Class Potential*" published on 20 September 2015 by Euromonitor International. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.

2.3.3 Unique product range backed by science

(a) HyfluxShop consumer lifestyle products

HyfluxShop offers a comprehensive range of consumer lifestyle products to provide clean drinking water for households. With no energy needed during the purification process, HyfluxShop filtration products are able to filter up to 0.01 microns, removing more contaminants than most other products in the market.

(b) ELO Water

The unique technology behind ELO is based on over 10 years of research in water science and technology. Unlike oxygenated water that rapidly loses oxygen to the atmosphere, the oxygen-rich ELO Water is produced via a proprietary process that allows a high level of oxygen to exist in water in a unique, stable and bound form and is believed to be easily absorbed by the body.

Hypoxia, or the lack of sufficient oxygen at the tissue level, is linked to various medical conditions. It is an established medical fact that cells with adequate oxygen perform better than cells deprived of oxygen.

The HyfluxShop Group had conducted and concluded clinical trials in South Korea and Australia with positive and encouraging results on the health-enhancing properties of ELO Water on skin conditions and mice transplanted with cancer cells respectively.

ELO Gel skin anti-aging human trial

Based on a clinical study conducted in Seoul, South Korea, ELO Gel was proven to significantly improve skin wrinkle, colour, elasticity, hydration and radiance in middle-aged female test subjects after four (4) weeks of application. Further improvements were seen in these parameters after eight (8) weeks.

Lab mouse prostate cancer xenograft study

In a clinical study conducted in Australia on the efficacy of ELO Water on mice transplanted with human prostate cancer cells, it was found that consumption of ELO Water increased oxygen levels in the tissues of the mice and helped inhibit tumour growth. This study confirmed that drinking ELO Water delivers oxygen to the tissues and results in biological effects.

Clinical trials in Singapore

Currently, clinical trials are ongoing with Singapore Changi General Hospital to establish the effectiveness of ELO Water and ELO Lab baths on glycaemic control and diabetic foot or ankle ulcers in diabetic patients. The trials hypothesise that ELO Water can enhance tissue oxygenation, reverse tissue hypoxia (i.e. the lack of oxygen) and thereby lower insulin resistance and accelerate wound healing.

The HyfluxShop Group has plans to extend ELO Water trials to other medical conditions associated with hypoxia such as high blood pressure, fatty liver, heart conditions and various types of cancer.

(c) ELO Green

Apart from oxygen and water, the quality of food has a major bearing on health and survival. As a result of modern intensive agricultural methods that strip away increasing amounts of nutrients from the soil, the food we eat today contain lower nutrients than before. HyfluxShop offers a range of all natural and non-GMO products that are carefully formulated by qualified nutritionists and medical experts to ensure that consumers get all the essential nutrients necessary for health and well-being. This premium range of high quality nutritional supplements complements ELO Water and its related products.

2.4 Market potential

2.4.1 Market potential of clean drinking water

In many parts of the world, there is a lack of access to clean drinking water. According to the United Nations¹, as at 2017, about 2.1 billion people lacked access to safely managed drinking water services. Hazardous substances that might be present in drinking water mainly include pathogens (microorganisms) and contaminants (inorganic chemicals, organic chemicals and metals) which lead to diseases such as diarrhoea and typhoid, among many others.

In 2016, about 269 million Asians did not have access to safe drinking water². In South-East Asia alone, more than 140 million people lacked access to clean drinking water³, representing an enormous market for HyfluxShop to tap into to provide filtration products for clean drinking water as Asia's middle class continues to grow with higher disposable income.

2.4.2 Market potential of ELO

ELO Water addresses the issue of hypoxia which is the root cause of various medical conditions. Taking diabetes as an example, the addressable market for ELO Water is already significant. Currently, there are 382 million patients with diabetes worldwide⁴ and this number is expected to grow to 592 million by 2035⁴. About 60% of the world's diabetic population are located in Asia⁴.

In the event that the results of the ongoing clinical trials establish the effectiveness of ELO Water and ELO Lab baths on glycaemic control and diabetic foot or ankle ulcers in diabetic patients, and if 1% of diabetic patients in Asia learn about the benefits of ELO Water, the potential customer base for ELO Water could be approximately 2.3 million people. Based on the projection of growth in the number of diabetic patients, this potential customer base in Asia could grow to as many as 3.6 million people by 2035.

The combination of genetics and environment, changes in diet and lifestyle as well as rapid urbanisation and globalisation on top of the usual Asian diet, has seen a spike in the number of diabetics in Asia⁵.

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- 1 Source: "*Global Issues – Water*" published by United Nations. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 2 Source: "*Solving Asia's Water Woes by 2030*" published on 9 July 2016 by The Straits Times. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 3 Source: "*140m in SE Asia do not have clean water*" published on 8 November 2016 by The Straits Times. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 4 Source: "*Spore and US to create first diabetes registry*" published on 6 November 2015 by The Straits Times. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.
 - 5 Source: "*Facts and Figures*" published by the Asian Diabetes Prevention Initiative. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.

Singapore has the second highest proportion of diabetics in its population in the world, a number just behind the United States¹. In Singapore, diabetes is a serious health concern. One (1) in three (3) Singaporeans has a lifetime risk of getting diabetes and the number of diabetics is projected to reach one million by 2050², without intervention.

The table³ below lists the number of diabetic patients in markets where HyfluxShop has already established a presence:

Market	Number of Diabetic patients ('000)
Australia	1,133
Hong Kong Special Administrative Region of the People's Republic of China	636
Malaysia	3,493
People's Republic of China	114,395
Republic of China (Taiwan)	1,958
Republic of Korea	3,465
Singapore	606
Total	125,686

In addition to diabetes, hypoxia is also linked to other medical conditions, such as fatty liver, heart conditions, psoriasis and various types of cancer. The HyfluxShop Group has plans to extend ELO Water clinical trials to these medical conditions to expand the target markets it can address.

2.4.3 Market potential of ELO Green

The global market for dietary supplements was valued at US\$132.8 billion in 2016 and is expected to reach US\$220.3 billion in 2022, growing at a compound annual growth rate of 8.8%⁴.

2.5 **Conversion.** It is intended for HyfluxShop to be converted into a public company upon or immediately prior to the Date of Completion. For the avoidance of doubt, after the conversion into a public company, but prior to the Proposed Listing, HyfluxShop will be a public Singapore company whose shares are not quoted on the Official List of the SGX-ST, any securities exchange or any other regulated markets.

Please refer to paragraph 2.7 of this Circular for details on the Proposed Listing.

1 Source: "Singapore has second highest proportion of diabetes" published on 2 December 2015 by The Straits Times. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.

2 Source: "Diabetes: the War Continues" published on 22 August 2017 by the Ministry of Health, Singapore. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.

3 Source: "IDF Diabetes Atlas 8th edition 2017" published by the International Diabetes Federation. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.

4 Source: "Global Industry Perspective, Comprehensive Analysis and Forecast 2016 – 2022" published on 5 January 2017 by Zion Market Research. Please refer to "Market and Industry Information" on page 3 of this Circular for further information on this source.

2.6 **Rationale for the Proposed Distribution.** The Directors believe that the Proposed Distribution will benefit the Company and the Shareholders as follows:

(a) Unlock Entitled Shareholders' value

Following the Date of Completion, 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. 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 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 Group enables Entitled Shareholders and potential investors to value the HyfluxShop Group separately from the other businesses of the Group based on their respective performances 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 to oversee their respective strategies and operations more effectively.

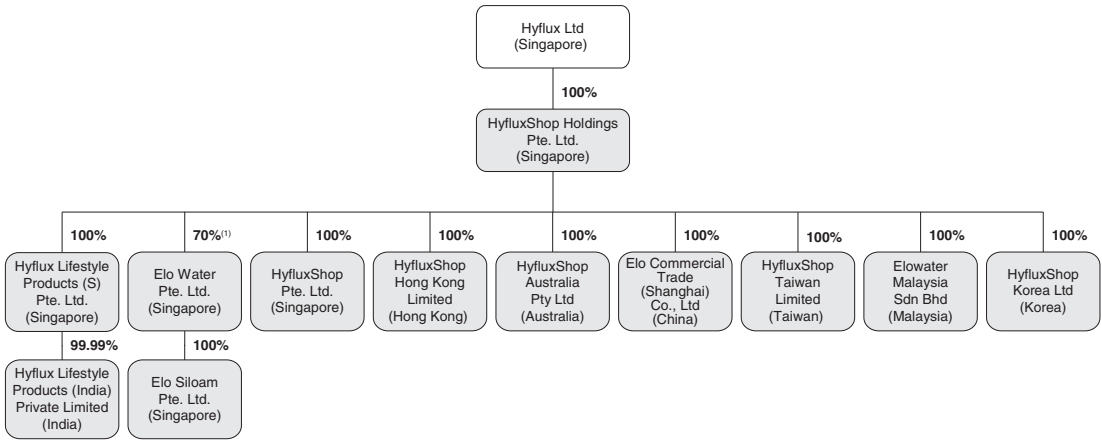
2.7 **Listing Plans.** Assuming its future growth performance is on track and market conditions of the capital markets are favourable, the HyfluxShop Group is expected to be in a position to consider the Proposed Listing or other liquidity events to unlock HyfluxShop Shareholders' value. Nevertheless, Shareholders should note that the Proposed Listing is a future plan which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the HyfluxShop Group to be different from expected. As such, there is a risk that the HyfluxShop Group may not be able to implement such future plans successfully. Accordingly, HyfluxShop retains the flexibility, at all times, to consider any other options or opportunities which may present themselves and which the directors of HyfluxShop regard to be in the best interests of HyfluxShop, HyfluxShop Shareholders and/or the HyfluxShop Group.

2.8 Details of the Proposed Distribution

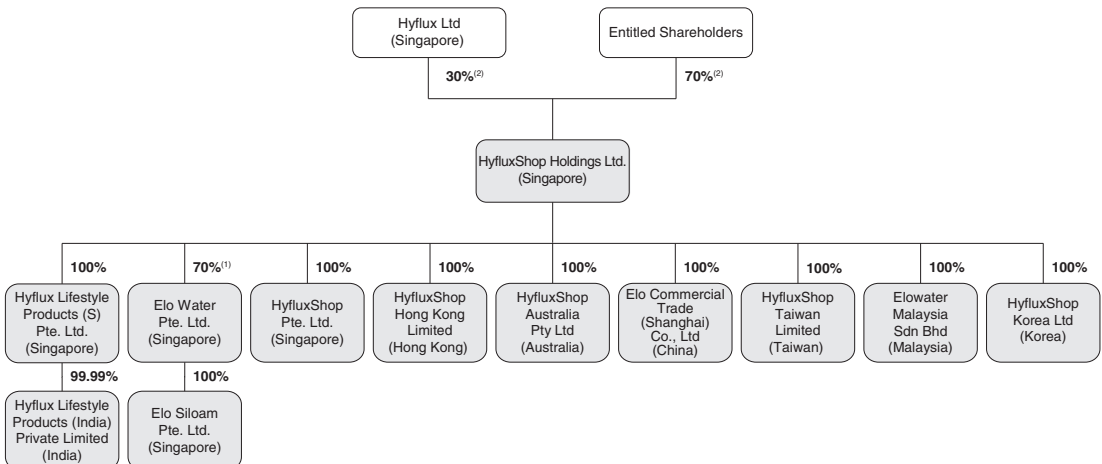
2.8.1 Group Structure before and after the Date of Completion

As at the Latest Practicable Date, the Company holds 112,183,568 HyfluxShop Shares, representing 100.0% of the total number of issued HyfluxShop Shares. Following the Date of Completion, the Company is envisaged to hold approximately 30.0% of the total number of issued HyfluxShop Shares. The Company will continue to be the single largest corporate shareholder and will be exposed and have rights to the variable returns from its involvement with HyfluxShop, and will have the ability to effect those returns through its power over HyfluxShop. Such power and ability to exercise those power over the relevant activities of HyfluxShop are expected to be effected through the management and corporate resources to be provided by the Company to HyfluxShop. As a result, the financial statements of HyfluxShop are expected to be consolidated with the financial statements of the Company in line with the Singapore Financial Reporting Standards. There is no change to the structure of the HyfluxShop Group before and after the Date of Completion. Following the Date of Completion, there will be a change in the shareholding interest of the Company in HyfluxShop, as set out below:

Shareholding interest of the Company in HyfluxShop and the HyfluxShop Group structure as at the Latest Practicable Date



Shareholding interest of the Company in HyfluxShop and the HyfluxShop Group structure after the Date of Completion



Notes:

- (1) The remaining 30.0% is held by Kaqun Europe Kereskedelmi Zartkoruen Mukodo Reszventarsasag (“**Kaqun Europe**”). Kaqun Europe is a consumer water technology company which pioneered ELO Water and is an associated company of HyfluxShop as HyfluxShop holds 30.0% shareholding in Kaqun Europe.
- (2) Approximately 70.0% of the total number of issued HyfluxShop Shares will be distributed to Entitled Shareholders pursuant to the Proposed Distribution, following which the Company is envisaged to have a direct interest of approximately 30.0% of the total number of issued HyfluxShop Shares.

2.8.2 Entitlements to HyfluxShop Shares

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.

Shareholders should note that as fractional entitlements shall be disregarded, any Shareholder who holds nine (9) Hyflux Shares or less will NOT receive any HyfluxShop Share, and shall not be entitled to make any claim whatsoever against the Company or any other person in connection therewith.

The final number of HyfluxShop Shares to be received by each Entitled Shareholder will depend on the total number of Hyflux Shares held by each Entitled Shareholder as at the Books Closure Date.

2.8.3 The Company’s Interest in HyfluxShop

As at the Latest Practicable Date, the Company holds 112,183,568 HyfluxShop Shares, representing 100.0% of the total number of issued HyfluxShop Shares. The total issued share capital of the Company comprises 785,284,989 Hyflux Shares (excluding 79,246,000 Hyflux Shares held as treasury shares and 19,567,000 Exercisable Share Options as at the Latest Practicable Date).

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 none of the Exercisable Share Options is exercised during the period from the Latest Practicable Date 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 Date of Completion, 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 Hyflux Shares held by each Entitled Shareholder as at the Books Closure Date.

2.8.4 No Payment Required. Entitled Shareholders will not be required to pay for any HyfluxShop Share received pursuant to the Proposed Distribution.

2.8.5 Dividend Distribution. Based on the pro forma combined NTA of the HyfluxShop Group (excluding any HyfluxShop 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\$0.01783, 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.

2.8.6 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 the EGM; and
- (b) the satisfaction of the Approvals (if any).

2.8.7 Administrative procedures relating to the Proposed Distribution

- (a) **Books Closure Date.** Subject to the Proposed Distribution being approved by Shareholders at the EGM and the satisfaction of the Approvals (if any), notice has been given that the Register of Members and the share transfer books of the Company will be closed on 7 February 2018, from 5.00 p.m., for the purpose of determining the entitlements of Shareholders to HyfluxShop Shares pursuant to the Proposed Distribution.
- (b) **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 into 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 (if any), it is expected that the Securities Accounts of Entitled Shareholders who are Depositors will be credited with HyfluxShop Shares on or about 15 February 2018. CDP will send such Depositor a notification letter confirming the number of HyfluxShop Shares that has been credited into his Securities Account.

HyfluxShop will be appointing CDP as the depository in respect of the unlisted HyfluxShop Shares. Accordingly, Entitled Shareholders who are also Depositors can continue to deposit their HyfluxShop Shares in their Securities Accounts notwithstanding that such HyfluxShop Shares remain unlisted prior to the Proposed Listing.

Notwithstanding the above, HyfluxShop Shareholders who wish to hold the unlisted HyfluxShop Shares in scrip form can withdraw the unlisted HyfluxShop Shares from CDP. In such an event, the HyfluxShop Shareholders would have to bear the relevant costs, including any CDP fees, which are set out on CDP's website, as amended or modified from time to time.

In the event that CDP ceases to provide custodial services for HyfluxShop, the relevant cost of the withdrawal from CDP and conversion to scrip form will be borne by HyfluxShop.

- (c) **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 (if any), Entitled Shareholders who are not Depositors will be credited with HyfluxShop Shares by the entry of their names as well as the relevant number of HyfluxShop Shares to be distributed to them on the register of members of HyfluxShop to be maintained by the share registrar of HyfluxShop.

Notwithstanding the above, HyfluxShop Shareholders who wish to deposit the unlisted HyfluxShop Shares which are in scrip form with CDP would have to bear the relevant costs, including any CDP fees, which are set out on CDP's website, as amended or modified from time to time, and fulfil any other requirements prescribed by CDP.

- (d) **CPFIS Investors.** In the case of CPFIS Investors, entitlements to the HyfluxShop Shares will be determined on the basis of the number of Hyflux Shares held by the CPF-approved agent banks on behalf of each CPFIS Investor as at the Books Closure Date. Following the Books Closure Date, CDP will credit the HyfluxShop Shares attributable to CPFIS Investors pursuant to the Proposed Distribution to the respective Securities Accounts of their CPF-approved agent banks, and the CPF-approved agent banks will update their records accordingly.
- (e) **Investors whose Hyflux Shares were purchased using SRS funds.** In the case of investors who have purchased Hyflux Shares using their SRS funds, entitlements to the HyfluxShop Shares will be determined on the basis of the number of Hyflux Shares held by the relevant approved banks on behalf of each such investor as at the Books Closure Date. Following the Books Closure Date, CDP will credit the HyfluxShop Shares attributable to such investors pursuant to the Proposed Distribution to the Securities Accounts of the relevant approved banks, and the relevant approved banks will update their records accordingly.
- (f) **Investors whose Hyflux Shares are held through a finance company and/or a Depository Agent.** In the case of investors who hold Hyflux Shares through a finance company and/or a Depository Agent, entitlements to the HyfluxShop Shares will be

determined on the basis of the number of Hyflux Shares held by the finance companies and/or the Depository Agents on behalf of such investors as at the Books Closure Date. Following the Books Closure Date, CDP will credit the HyfluxShop Shares attributable to such investors pursuant to the Proposed Distribution to the respective Securities Accounts of the finance companies and/or the Depository Agents.

- (g) **Overseas Shareholders.** The distribution of the HyfluxShop Shares to 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 pursuant to the Proposed Distribution and shall not be entitled to make any claim whatsoever against the Company or any other person in connection therewith.

- (h) **Unlisted HyfluxShop Shares.** Prior to the Proposed Listing, Entitled Shareholders should note that they will not be able to easily trade in such HyfluxShop Shares as the shares of HyfluxShop are not quoted on the Official List of the SGX-ST, any securities exchange or any other regulated markets.

3. HYFLUXSHOP PREFERENCE SHARES

- 3.1 **Issue Size and Price.** Prior to the Date of Completion, HyfluxShop is expected to issue, to Hyflux, 20,000,000 HyfluxShop Preference Shares (amounting to S\$20.0 million in aggregate liquidation preference of the HyfluxShop Preference Shares) at the issue price of S\$1 for each HyfluxShop Preference Share.
- 3.2 **Voting Rights.** HyfluxShop Preference Shares will carry the same rights as HyfluxShop Shares as regards receiving notices, reports and balance sheets, and attending general meetings of HyfluxShop. However, the HyfluxShop Preference Shares will not carry the right to vote at general meetings, except in certain limited circumstances as specified in the constitution of HyfluxShop, including a capital reduction of HyfluxShop, the winding-up of HyfluxShop and/or a sanctioning of the sale of the whole or substantially the whole of the undertaking of HyfluxShop.
- 3.3 **Dividends.** Dividends will accrue on the HyfluxShop Preference Shares at the rate of 6% per annum of their liquidation preference of S\$1 for each HyfluxShop Preference Share ("**Liquidation Preference**"). Subject to the limitations and qualifications described in the constitution of HyfluxShop, dividends will be payable semi-annually when, as and if declared by the directors of HyfluxShop, in arrears.

- 3.4 **Step up Dividend Rate.** If the HyfluxShop Preference Shares are not redeemed by HyfluxShop on the first call date, being any date on or after the date falling four (4) years after the date of issue of the HyfluxShop Preference Shares, dividends will accrue on the HyfluxShop Preference Shares at the rate of 8% per annum of their Liquidation Preference on and from the first call date.
- 3.5 **Redemption.** The HyfluxShop Preference Shares will have no maturity date, and will not be redeemable at the option of the holders of HyfluxShop Preference Shares. HyfluxShop may, at its sole discretion, redeem the HyfluxShop Preference Shares for cash, in whole or in part (on a pro rata basis), under certain circumstances, subject to the constitution of HyfluxShop and certain limitations.
- 3.6 **Rights Upon Liquidation.** In the event of the commencement of any dissolution or winding-up of HyfluxShop (other than pursuant to a “Permitted Reorganisation” (as defined in the constitution of HyfluxShop)) before any redemption of the HyfluxShop Preference Shares, the HyfluxShop Preference Shares shall rank:
- (a) junior to all other creditors (including the holders of subordinated debt) of HyfluxShop;
 - (b) *pari passu* with all HyfluxShop Preference Shares and Parity Obligations (HyfluxShop Preference Shares) of HyfluxShop; and
 - (c) senior to the HyfluxShop Shareholders and any other securities or obligations of HyfluxShop that are subordinated to the HyfluxShop Preference Shares.

On such a dissolution or winding-up, each HyfluxShop Preference Share shall be entitled to receive an amount equal to the Liquidation Distribution (as defined below).

If, upon any such dissolution or winding-up, the amounts available for payment are insufficient to cover the Liquidation Distribution and any liquidation distributions of any Parity Obligation (HyfluxShop Preference Shares), but there are funds available for payment so as to allow payment of part of the Liquidation Distribution, then each holder of HyfluxShop Preference Shares will be entitled to receive the Relevant Proportion (as defined below) of the Liquidation Distribution.

After payment of the Liquidation Distribution (or the Relevant Proportion thereof), the holders of HyfluxShop Preference Shares will have no further right or claim to any of the remaining assets of HyfluxShop.

For the purpose of this paragraph 3:

“**Liquidation Distribution**” means, with respect to any HyfluxShop Preference Shares, upon a dissolution or winding-up of HyfluxShop (other than pursuant to a “Permitted Reorganisation” (as defined in the constitution of HyfluxShop)):

- (a) the Liquidation Preference of that HyfluxShop Preference Share; and
- (b) subject to the restrictions in the constitution of HyfluxShop and unless a dividend limitation notice is in effect, an amount equal to any accrued but unpaid dividend (whether or not declared) in respect of that HyfluxShop Preference Share for the period commencing from (and including) the issue date and ending on (but excluding) the date of actual payment.

“Relevant Proportion” means, in relation to any partial payment of any Liquidation Distribution, the total amount available for any such payment and for making any liquidation distribution on any Parity Obligation (HyfluxShop Preference Shares) divided by the sum of:

- (a) the full Liquidation Distribution before any reduction or abatement; and
- (b) the amount (before any reduction or abatement) of the full liquidation distribution on any Parity Obligation (HyfluxShop Preference Shares).

4. UNLISTED HYFLUXSHOP SHARES

- 4.1 **Sale and purchase of unlisted HyfluxShop Shares.** Following the Date of Completion and prior to the Proposed Listing, Entitled Shareholders will hold shares in HyfluxShop, a public Singapore company whose shares are not quoted on the Official List of the SGX-ST, any securities exchange or any other regulated markets.

After the Date of Completion, any HyfluxShop Shareholder who decides not to continue to hold the unlisted HyfluxShop Shares, may choose to sell all or such numbers of HyfluxShop Shares as the HyfluxShop Shareholder may, in his absolute discretion decide, to ANY willing purchaser(s) at any time, subject to all applicable laws.

For the avoidance of doubt, the Company and the Controlling Shareholder WILL NOT SELL any of their HyfluxShop Shares prior to the Proposed Listing.

In order to provide an avenue for HyfluxShop Shareholders to sell their unlisted HyfluxShop Shares without having to search for willing purchasers, the Controlling Shareholder, being Ms Olivia Lum Ooi Lin, will be willing to purchase the unlisted HyfluxShop Shares from HyfluxShop Shareholders during the Purchase Period but subject always to the applicable requirements of the Code, the ruling from the SIC as set out in paragraph 4.2 of this Circular, and any further rulings from the SIC.

- 4.2 **Ruling from the SIC.** The aggregate shareholding interests of Hyflux and the Controlling Shareholder, being Ms Olivia Lum Ooi Lin, in HyfluxShop immediately after the Date of Completion is expected to be approximately 53.8% of the total number of issued HyfluxShop Shares.

Rule 14.1 of the Code provides that, *inter alia*, except with the consent of the SIC, where:

- (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights,

such person must extend a general offer for all the remaining shares in the company which he does not already own or control, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

Note 5 on Rule 14.1 of the Code provides that when a group holds over 50% of the voting rights of a company, no obligation to extend a mandatory offer normally arises from acquisitions by any member of the group. However, subject to certain considerations set out in Note 5 on Rule 14.1 of the Code, the SIC may regard as giving rise to an obligation to make an offer any acquisition by a single member or sub-group of the group of voting rights sufficient to increase his/its holding to 30% or more or, if he/it already holds between 30% and 50%, by more than 1% in any 6-month period. Accordingly, Hyflux and the Controlling Shareholder sought certain confirmations and rulings from the SIC in connection with their expected shareholding interests in the HyfluxShop Shares upon the completion of the Proposed Distribution and any acquisition by Hyflux and/or the Controlling Shareholder of any additional HyfluxShop Share(s).

The SIC confirmed that Hyflux and the Controlling Shareholder are parties acting in concert in respect of HyfluxShop and, notwithstanding that Hyflux and the Controlling Shareholder would together hold more than 50% of the total voting rights of HyfluxShop after the Proposed Distribution, Hyflux or the Controlling Shareholder would still incur an obligation to make a general offer for HyfluxShop in the event either of them crosses the mandatory offer thresholds set out in Rule 14.1 of the Code.

The SIC also stated that it should be consulted on whether a general offer is required before either of Hyflux or the Controlling Shareholder acquires HyfluxShop Shares which would give rise to an obligation under Rule 14.1 of the Code to make a general offer for HyfluxShop.

The Controlling Shareholder will be seeking such a further consultation with the SIC in relation to the Controlling Shareholder Purchase.

Subject to any further rulings from the SIC, the Controlling Shareholder will only be purchasing such number of unlisted HyfluxShop Shares from HyfluxShop Shareholders pursuant to the Controlling Shareholder Purchase which would not result in her triggering a mandatory general offer for HyfluxShop Shares pursuant to the Code by holding 30% or more of the voting rights of HyfluxShop.

4.3 Controlling Shareholder Purchase

4.3.1 **Purchase Limits.** During the Purchase Period, the Controlling Shareholder, being Ms Olivia Lum Ooi Lin, will be willing to purchase the unlisted HyfluxShop Shares from HyfluxShop Shareholders, provided that she reserves the right not to purchase such number of unlisted HyfluxShop Shares pursuant to the Controlling Shareholder Purchase which would result in her shareholding exceeding **29.99%** of the total number of issued HyfluxShop Shares, but subject always to the applicable requirements of the Code, the ruling from the SIC as set out in paragraph 4.2 of this Circular, and any further rulings from the SIC.

Accordingly, there is no certainty that the Controlling Shareholder, being Ms Olivia Lum Ooi Lin, will purchase all unlisted HyfluxShop Shares that HyfluxShop Shareholders offer to sell to her during the Purchase Period. It is envisaged that immediately after the Date of Completion, the Controlling Shareholder will hold approximately 23.8% of the total number of issued HyfluxShop Shares.

4.3.2 **Consideration.** The price for each HyfluxShop Share for the purpose of the Controlling Shareholder Purchase shall be based on the unaudited pro forma combined NTA of the HyfluxShop Group (excluding any HyfluxShop Preference Shares) attributable to Shareholders as at 30 September 2017 of approximately S\$20.0 million, which translates to approximately S\$0.1783 per HyfluxShop Share.

Accordingly, the consideration payable for the transfer of a HyfluxShop Share pursuant to the Controlling Shareholder Purchase is S\$0.1783 for each HyfluxShop

Share, payable in cash and the aggregate consideration payable to the relevant HyfluxShop Shareholder will be rounded to the nearest cent.

For the avoidance of doubt, the price of S\$0.1783 for each HyfluxShop Share for the purpose of the Controlling Shareholder Purchase should not be taken as an indication of the fair or market value of the HyfluxShop Shares.

The Directors have confirmed that, as at the Latest Practicable Date, there are no non-recurring material items which had an impact on the unaudited pro forma combined NTA of the HyfluxShop Group as at 30 September 2017.

- 4.3.3 Procedures and Settlement.** Any HyfluxShop Shareholder who does not wish to continue to hold on to unlisted HyfluxShop Shares after the Date of Completion may offer to sell his unlisted HyfluxShop Shares during the Purchase Period to the Controlling Shareholder by using the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares), as the case may be, which will be despatched to the Entitled Shareholders on the Date of Forms Despatch and subject to the terms and conditions set out in the relevant Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) and Appendix A entitled “Procedures for Controlling Shareholder Purchase” of this Circular. Shareholders may also download the relevant Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) from the corporate website of HyfluxShop at www.hyfluxshop.com upon the despatch of the Controlling Shareholder Purchase Form (Scripless Shares) or the Controlling Shareholder Purchase Form (Scrip Form Shares). The completed Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) must be sent by hand or by post to and received by the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 during the Purchase Period. Please refer to Appendix A entitled “Procedures for Controlling Shareholder Purchase” of this Circular for further instructions on completing and submitting the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares).

The receipt of any Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) by the Receiving Agent does not constitute the acceptance of the HyfluxShop Shareholder’s offer to sell his HyfluxShop Shares. Each Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) received by the Receiving Agent shall be considered for acceptance:

- (a) on a “first-come-first-served” basis. In other words, Controlling Shareholder Purchase Form(s) (Scripless Shares) and Controlling Shareholder Purchase Form(s) (Scrip Form Shares) received at an earlier point in time will be considered for acceptance before others received at a later point in time. In the event that there is any uncertainty as to whether any Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) is received before or after others, the Controlling Shareholder shall have the absolute discretion in deciding which Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) would be first considered for acceptance;**
- (b) subject to the requirements pursuant to the ruling of the SIC described in paragraph 4.2, and any further rulings from the SIC; and**

- (c) subject to the relevant Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) being accurately completed in accordance with the provisions and instructions of this Circular and the instructions printed on the relevant Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares).

In the event that any HyfluxShop Shareholder's offer to sell HyfluxShop Shares to the Controlling Shareholder is not accepted, the relevant HyfluxShop Shareholder will be informed by way of a notification letter.

For the avoidance of doubt, notwithstanding that the Controlling Shareholder Purchase shall be in place during the Purchase Period, being the period starting from the Date of Forms Despatch and ending on the earlier of: (i) the 30th day thereafter; (ii) subject to any further rulings from the SIC, the Controlling Shareholder holding 29.99% of the total number of issued HyfluxShop Shares pursuant to the Controlling Shareholder Purchase; or (iii) such other period as may be announced by HyfluxShop or the Controlling Shareholder from time to time, any HyfluxShop Shareholder may at any time after the Date of Completion, whether during or after the Purchase Period, choose to sell all or such numbers of HyfluxShop Shares as he may decide in his absolute discretion to ANY willing purchaser(s), subject to all applicable laws.

Transfer fees otherwise payable to CDP for transfers of the HyfluxShop Shares, as described in paragraph 4.4 of this Circular, will not apply to the Controlling Shareholder Purchase.

For updates on the Controlling Shareholder Purchase, HyfluxShop Shareholders should refer to the corporate website of HyfluxShop at www.hyfluxshop.com.

The procedures for completing and submitting the respective Controlling Shareholder Purchase Forms (Scripless Shares) and Controlling Shareholder Purchase Forms (Scrip Form Shares) and the respective settlement processes are set out in Appendix A entitled "Procedures for Controlling Shareholder Purchase" of this Circular.

- 4.4 **Implications of holding unlisted HyfluxShop Shares.** HyfluxShop Shareholders will hold shares in an unlisted Singapore company under the book-entry (scripless) settlement system before the Proposed Listing. Notwithstanding that the shares of HyfluxShop are not quoted on the Official List of the SGX-ST, any securities exchange or any other regulated markets, all transactions (including transfers) of HyfluxShop Shares effected through CDP shall be made in accordance with the "Terms and Conditions for Operation of Securities Accounts with the Central Depository (Pte) Limited", as the same may be amended from time to time.

In the event of the listing and quotation of the HyfluxShop Shares on the Official List of the SGX-ST, the HyfluxShop Shares will be traded on the SGX-ST under the book-entry (scripless) settlement. All dealings in and transactions (including transfers) of HyfluxShop Shares effected through the SGX-ST and/or CDP shall continue to be made in accordance with the "Terms and Conditions for Operation of Securities Accounts with the Central Depository (Pte) Limited", as the same may be amended from time to time.

HyfluxShop Shareholders who are Depositors do not have to take any action in order to effect trading of the HyfluxShop Shares upon the Proposed Listing as their Securities Account will already be credited with the HyfluxShop Shares upon the Proposed Distribution.

Scrip Shareholders have to set up a Securities Account with CDP and make appropriate arrangements for the share certificates of HyfluxShop Shares to be deposited with CDP for crediting into the said Securities Account should they wish to trade the HyfluxShop Shares upon the Proposed Listing.

Transfers of HyfluxShop Shares by HyfluxShop Shareholders to any willing purchaser(s) other than pursuant to the Controlling Shareholder Purchase would be subject to the transfer fees applicable at the relevant time. As at the Latest Practicable Date, the transfer fees that would be payable to CDP by a HyfluxShop Shareholder for a transfer of HyfluxShop Shares would be equivalent to 0.0321% of transfer value, subject to a minimum of S\$160.50.

Any HyfluxShop Shareholder who intends to sell all or such numbers of his HyfluxShop Shares may wish to seek independent legal and other advice to ensure compliance with applicable laws and other requirements. In particular (without being exhaustive and without any intention to substitute independent advice), such HyfluxShop Shareholder should be aware that he shall not make an offer to sell any HyfluxShop Shares to the public unless it is made in or accompanied by a prospectus in respect of the offer in accordance with Section 240 of the Securities and Futures Act, unless such offer is exempted from the requirement for prospectus under Part XIII (Offers of Investment), Division 1 – Shares and Debentures, Subdivision 4 (Exemptions) of the Securities and Futures Act.

5. POTENTIAL DILUTION

5.1 HyfluxShop Employees' Share Incentive Scheme. Prior to the Date of Completion, HyfluxShop is expected to adopt the HyfluxShop ESIS, pursuant to which HyfluxShop may grant awards of HyfluxShop Shares and/or HyfluxShop Share Options to selected Employees (HyfluxShop), and upon the vesting of such awards or exercise of such options, HyfluxShop Shareholders may experience a dilution of their relative shareholding interests of HyfluxShop Shares. The key aspects of the HyfluxShop ESIS are set out in the following paragraphs.

5.1.1 Rationale. The services of Employees (HyfluxShop) are important to the success and continued well-being of the HyfluxShop Group and HyfluxShop is implementing the HyfluxShop ESIS to achieve the following objectives:

- (a) to encourage and motivate Employees (HyfluxShop) to take greater responsibility for the performance of the HyfluxShop Group and to maintain a high level of performance and contribution by aligning their interests with that of the HyfluxShop Group; and
- (b) to make total employee remuneration sufficiently competitive to recruit and retain Employees (HyfluxShop) whose contributions are important to the long-term growth and profitability of the HyfluxShop Group.

5.1.2 Management of HyfluxShop ESIS. The HyfluxShop ESIS shall be managed by the Committee (HyfluxShop) in its absolute discretion, including (without limitation) the determination and selections of persons who will be eligible to participate in the HyfluxShop ESIS and the granting of award(s) of HyfluxShop Share(s) and/or HyfluxShop Share Option(s) to such person(s).

5.1.3 Duration. The HyfluxShop ESIS shall continue to be in force at the discretion of the Committee (HyfluxShop), subject to a maximum period of 10 years commencing from the date of its adoption; provided always that the HyfluxShop ESIS may continue beyond the

above stipulated period with the approval of HyfluxShop Shareholders by way of an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

- 5.1.4 **Size.** The total number of (i) HyfluxShop Shares (comprising new HyfluxShop Shares and/or treasury shares of HyfluxShop) which may be issued and/or transferred and (ii) HyfluxShop Shares (comprising new HyfluxShop Shares and/or treasury shares of HyfluxShop) in respect of which HyfluxShop Share Options may be granted on any date, when added to the number of HyfluxShop Shares issued and issuable and/or transferred and transferrable, in respect of (a) all awards of HyfluxShop Shares under the HyfluxShop ESIS, and (b) all HyfluxShop Share Options granted under the HyfluxShop ESIS, shall not exceed ten per cent (10%) of the issued HyfluxShop Shares (excluding treasury shares of HyfluxShop) on the day preceding that date.
- 5.1.5 **Award of HyfluxShop Shares.** Awards represent the right of a participant in the HyfluxShop ESIS to receive fully-paid HyfluxShop Shares and may be (i) time-based, where a participant is entitled to receive fully-paid HyfluxShop Shares upon the expiry of the prescribed vesting periods, or (ii) performance-related, where a participant is entitled to receive fully-paid HyfluxShop Shares subject to prescribed performance targets being met. The vesting periods of such awards (whether time-based or performance-related) shall be determined by the Committee (HyfluxShop) and may not be subject to such time restrictions before vesting.
- 5.1.6 **Subscription Price for HyfluxShop Share Options.** The subscription price per HyfluxShop Share to be paid by way of subscription upon the exercise of a HyfluxShop Share Option shall be determined by the Committee (HyfluxShop), in its absolute discretion:
- (a) fixed at the fair market value of each such HyfluxShop Share as determined by the Committee (HyfluxShop) in good faith prior to the Proposed Listing (the “**Market Price**”). In the event of the listing and quotation of the HyfluxShop Shares pursuant to the Proposed Listing, such Market Price shall be equal to the average of the last dealt prices for the HyfluxShop Shares for the five (5) consecutive trading days immediately preceding the relevant date of grant of the HyfluxShop Share Options; and
 - (b) set as a discount to the Market Price provided that:
 - (i) maximum discount shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be determined by the Committee (HyfluxShop)); and
 - (ii) the HyfluxShop Shareholders in general meetings have authorised, in a separate resolution, the making of offers and grant of HyfluxShop Share Options under the HyfluxShop ESIS at a discount not exceeding the maximum discount as aforesaid.
- 5.1.7 **Eligibility.** Subject to the absolute discretion of the Committee (HyfluxShop), Employees (HyfluxShop), including, for the avoidance of doubt, any Executive Director and/or Non-Executive Director of HyfluxShop, who have met the prescribed criteria shall be eligible to participate in the HyfluxShop ESIS.

Persons who are controlling shareholders or their Associates shall be eligible to participate in the HyfluxShop ESIS provided that:

- (a) their participation in the HyfluxShop ESIS is specifically approved by independent shareholders in a separate resolution for each such person;
- (b) the aggregate number of HyfluxShop Shares and/or HyfluxShop Share Options available to controlling shareholders and their Associates shall not exceed 25% of the total number of HyfluxShop Shares and/or HyfluxShop Share Options available under the HyfluxShop ESIS; and
- (c) the number of HyfluxShop Shares and/or HyfluxShop Share Options available to any one (1) controlling shareholder or his Associates shall not exceed 10% of the total number of HyfluxShop Shares and/or HyfluxShop Share Options available under the HyfluxShop ESIS.

As at the Latest Practicable Date, the only controlling shareholder of HyfluxShop is Hyflux, and Ms Olivia Lum Ooi Lin is a controlling shareholder of Hyflux. As at the Latest Practicable Date, no participants have been identified for the purposes of the HyfluxShop ESIS.

5.2 **Other potential issuance of new HyfluxShop Shares.** In addition, it is contemplated that HyfluxShop may wish to raise additional funds by way of issuance of new HyfluxShop Shares in the future after the Proposed Distribution is carried out. In the event that HyfluxShop issues new HyfluxShop Shares, HyfluxShop will be under no obligation to offer those HyfluxShop Shares to the then existing HyfluxShop Shareholders at the time of issue (accordingly, those HyfluxShop Shareholders may experience dilution of their shareholdings), except where HyfluxShop elects to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, HyfluxShop may be subject to regulations or restrictions as to the procedures to be followed in making such rights offering available to the then existing HyfluxShop Shareholders or in disposing of such rights for the benefit of such HyfluxShop Shareholders and making the net proceeds available to them. HyfluxShop may choose not to offer the rights or other equity issues to HyfluxShop Shareholders whose registered addresses are outside Singapore. Accordingly, such HyfluxShop Shareholders may not be able to participate in future offerings of HyfluxShop Shares and may experience dilution of their shareholdings in HyfluxShop as such. Where required by the relevant rules and regulations, HyfluxShop Shareholders will be informed of such corporate actions as appropriate.

6. RISK FACTORS

Shareholders should carefully consider and evaluate each of the following risk factors (which are not intended to be exhaustive) and all other information contained in this Circular. The following describes some of the significant known risks now that could directly or indirectly affect the HyfluxShop Group and any investments in HyfluxShop Shares. The following does not state risks unknown to the Company as at the Latest Practicable Date but which could occur in the future and risks which the Company currently believes to be immaterial, which could turn out to be material.

6.1 HyfluxShop Group's business and expansion plans may require further financing for future growth

As part of the HyfluxShop Group's growth strategy, the HyfluxShop Group intends to invest in additional clinical and other trials to validate the efficacy of ELO Water, upgrade its e-commerce platforms and expand its presence beyond existing markets.

Due to various factors, such as the effectiveness of the HyfluxShop Group's business and marketing strategies or other factors beyond its control, including global and local economic conditions, market sentiment and market competition, changes or differences in consumer preferences and consumer spending, the HyfluxShop Group may not be able to grow its business successfully.

To date, the HyfluxShop Group relies largely on capital from the Group.

In order for the HyfluxShop Group to execute its growth strategy, it may need additional capital through equity or debt financing. The HyfluxShop Group's ability to raise capital is dependent on factors including, among other things, the prevailing economic conditions in Singapore and globally, the HyfluxShop Group's ongoing financial condition and results of operations, the state of the capital and credit markets, government regulations and the acceptability of the funding terms offered.

It is not certain that the HyfluxShop Group will be able to obtain additional funds, either on a short-term or a long-term basis, when capital is required. If the HyfluxShop Group is unable to secure necessary funding or secure such funding on terms which are favourable to it, or at all, whether through external debt financing, equity financing and/or internally generated cash flows, the HyfluxShop Group's business and prospects may be materially and adversely affected.

6.2 Macroeconomic factors beyond HyfluxShop Group's control may adversely affect its business, financial condition and results of operations

The HyfluxShop Group's business may be affected by macroeconomic factors, such as general economic conditions, market sentiment and consumer confidence. Various factors may influence these macroeconomic conditions, including, but not limited to, unemployment rates, real disposable income, inflation, recession, stock market performance, the interest rate environment, the availability of consumer credit, as well as regulatory (including fiscal and other governmental policies), social or political changes, all of which are beyond the HyfluxShop Group's control. Any adverse macroeconomic conditions may result in consumers becoming more budget-conscious and price sensitive, which may result in a decrease in discretionary consumer spending. In such circumstances, the HyfluxShop Group's business, financial condition and results of operations may be materially and adversely affected.

The HyfluxShop Group's business and operations may also be materially and adversely affected by unforeseeable circumstances and other factors such as changes in consumer preferences and consumer spending, power outages, labour disputes, severe weather conditions and natural or other catastrophes, which may disrupt the HyfluxShop Group's operations and cause loss and damage to its operations and facilities, as well as terrorist attacks or other acts of violence which may materially and adversely affect the global financial markets and business and consumer confidence. If any of these events occur, the HyfluxShop Group's business, financial condition and results of operations may be materially and adversely affected.

6.3 Trial results may not yield positive effects

The HyfluxShop Group is conducting and intends to conduct further clinical and other trials to verify and establish the effectiveness and properties of its products and services. However, there is no certainty that the results of such trials will be favourable or will translate into growth in the HyfluxShop Group's business.

6.4 Marketability of HyfluxShop Shares

After the completion of the Proposed Distribution, the HyfluxShop Shares will not be quoted on the Official List of the SGX-ST, any securities exchange or any other regulated markets. Save as provided in paragraphs 4.1 and 4.3, there will be no ready market for the HyfluxShop Shares and it would be difficult to liquidate the HyfluxShop Shares. As there is no open market for the trading of the HyfluxShop Shares, this would not only affect the transparency of the value of the HyfluxShop Group, but may also have an effect on the value of the HyfluxShop Shares at its disposal.

The Proposed Listing is a future plan which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the HyfluxShop Group to be different from expected. As such, there is a risk that the HyfluxShop Group may not be able to implement the Proposed Listing successfully.

6.5 Uncertainty of the Proposed Listing

While the HyfluxShop Group is expected to be in a position to consider the Proposed Listing or other liquidity events to unlock HyfluxShop Shareholders' value if its future growth performance is on track and market conditions of the capital markets are favourable, the Proposed Listing is nevertheless a future plan which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the HyfluxShop Group to be different from expected. As such, there is a risk that the HyfluxShop Group may not be able to implement such future plans and the Proposed Listing successfully.

6.6 Protection for HyfluxShop Shareholders

Shareholders of a company listed on the SGX-ST are protected by the Listing Manual which, among other things, contains the following provisions:

- (a) requirement to make announcements to inform shareholders of an issuer on information which is necessary to avoid the establishment of a false market in the issuance of securities or would be likely to materially affect the price or value of its securities, and certain specific information;
- (b) disclosure and shareholders' approval requirement for dealing with certain acquisitions and disposals;
- (c) disclosure and the approval of independent shareholders for interested person transactions;
- (d) publication of financial results announcements within a certain period of time; and
- (e) arrangement for voting by poll.

However, after completion of the Proposed Distribution and prior to the Proposed Listing, the HyfluxShop Group will not be subject to or need to comply with the Listing Manual and the HyfluxShop Shareholders will not be protected by the above provisions. HyfluxShop will be governed by, *inter alia*, the constitution of HyfluxShop and the Companies Act.

6.7 HyfluxShop Shareholders may not be able to participate in future issues of HyfluxShop Shares

In the event that HyfluxShop issues new HyfluxShop Shares, HyfluxShop will be under no obligation to offer those HyfluxShop Shares to the then existing HyfluxShop Shareholders at the time of issue, except where HyfluxShop elects to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, HyfluxShop may be subject to regulations or restrictions as to the procedures to be followed in making such rights offering available to the then existing HyfluxShop Shareholders or in disposing of such rights for the benefit of such HyfluxShop Shareholders and making the net proceeds available to them. HyfluxShop may choose not to offer the rights or other equity issues to HyfluxShop Shareholders whose registered addresses are outside Singapore. Accordingly, such HyfluxShop Shareholders may not be able to participate in future offerings of HyfluxShop Shares and may experience dilution of their shareholdings in HyfluxShop as such.

6.8 An active trading market for HyfluxShop Shares may not develop

Prior to the Proposed Listing, there will be no public market for HyfluxShop Shares and an active or liquid trading market for HyfluxShop Shares may not develop or be sustained after the Proposed Listing. The extent to which an active trading market for HyfluxShop Shares will develop or how liquid the market might become can be affected by a variety of factors, including, among other things, the HyfluxShop Group's results of operations, performance of its business, competitive conditions, general economic, political and social factors, volatility in the Singapore and global securities markets and the performance of the Singapore economy. As such, there is no assurance that an active or liquid trading market for HyfluxShop Shares will develop or, if developed, will be sustained.

7. FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION

7.1 Bases and Assumptions

The pro forma financial effects of the Proposed Distribution on the Group as set out below are purely 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 completion of the Proposed Distribution.

The pro forma financial effects of the Proposed Distribution as set out below have been computed based on the audited consolidated financial statements of the Group and the unaudited pro forma combined financial information of the HyfluxShop Group for FY2016 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 to be distributed pursuant to the Proposed Distribution amount to 70% of the total issued share capital (excluding any HyfluxShop Preference Shares) of HyfluxShop, representing a dividend distribution of approximately S\$14.0 million.

7.2 Share Capital

There will be no change in the number of issued Hyflux Shares as a result of the Proposed Distribution.

7.3 NTA Per Share

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:

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

7.4 EPS

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

	Before Proposed Distribution	After Proposed Distribution
Net profit (S\$' million)	4.8	8.3
EPS per share (cents)	(7.51)	(7.06)

7.5 Revenue, Profit Before Tax and Total Asset

As stated in paragraph 2.8.1 of this Circular, the financial statements of HyfluxShop will still be consolidated with the financial statements of Hyflux. Accordingly, it is expected that the Proposed Distribution will have no impact on the revenue, profit before tax and total asset value of the Group after the Proposed Distribution. The results attributable to the non-controlling interest of HyfluxShop of approximately 70.0% interest in HyfluxShop will have an impact on the net results of the Group.

8. TAXATION

8.1 **Dividend.** As the Company is a tax resident of Singapore, any dividends paid or distributed (whether in cash or *in specie*) by the Company will be tax exempt (one-tier) dividends, which are exempted from income tax in Singapore in the hands of Entitled Shareholders. Accordingly, as the Proposed Distribution is a dividend *in specie*, it will be exempted from income tax in Singapore when received by Entitled Shareholders.

8.2 **Stamp Duty.** The Company will bear stamp duty assessed in Singapore, if any, chargeable for the transfer of the HyfluxShop Shares by the Company to Entitled Shareholders pursuant to the Proposed Distribution.

In respect of HyfluxShop Shares, stamp duty is not payable on transfers of shares effected through CDP by way of book-entry transfers, where there is no instrument of conveyance, transfer or assignment involved in the transfers, and is payable where any instrument of conveyance, transfer or assignment is involved. In respect of any transfers of HyfluxShop Shares which are not listed, the party to pay for the stamp duty (if any) in an acquisition of shares would be the party as agreed to between the transferor and the transferee and, in the absence of an agreement to the contrary, it would be the transferee who would pay for the stamp duty (if any). Any stamp duty payable on the acquisition of HyfluxShop Shares

would be assessed at 0.2% of the higher of the purchase price or the net asset value of the HyfluxShop Shares based on the latest statement of accounts of HyfluxShop not more than 24 months from the date of transfer, subject to a minimum stamp duty amount of S\$1.00, as amended or modified from time to time.

- 8.3 **Entitled Shareholders' Own Tax Position.** Entitled Shareholders should note that the statements in paragraphs 8.1 and 8.2 of this Circular are not to be regarded as advice on the tax position of any Shareholder in Singapore or any other jurisdiction, or any tax implication arising from the Proposed Distribution. If any Entitled Shareholder is in doubt as to his tax position in Singapore or in any other jurisdiction, or any tax implication arising from the Proposed Distribution, he should consult his own professional tax advisers.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 9.1 **Directors' Interests in Hyflux Shares.** Based on the Register of Directors' Shareholdings as at the Latest Practicable Date, the Directors' interests in the ordinary shares, Class A Preference Shares and 6% Perpetual Capital Securities of the Company are set out below:

Ordinary Shares

Directors	Direct Interest		Deemed Interest		Total Interest	
	Number of Hyflux Shares	%	Number of Hyflux Shares	%	Number of Hyflux Shares	%
Olivia Lum Ooi Lin	267,351,211	34.05	–	–	267,351,211	34.05
Teo Kiang Kok	–	–	375,000 ⁽¹⁾	0.05	375,000	0.05
Lee Joo Hai	–	–	–	–	–	–
Gay Chee Cheong	3,000,000	0.38	–	–	3,000,000	0.38
Christopher Murugasu	1,095,468	0.14	180,000 ⁽²⁾	0.02	1,275,468	0.16
Simon Tay	–	–	–	–	–	–
Lau Wing Tat	–	–	–	–	–	–
Gary Kee Eng Kwee	–	–	–	–	–	–

Notes:

(1) Held through Citibank Nominees Singapore Pte Ltd.

(2) Mr Christopher Murugasu is deemed interested in the Shares held by his spouse, Ms Bernadette Oei Lian Hua.

Class A Preference Shares

Directors	Direct Interest		Deemed Interest		Total Interest	
	Number of shares	%	Number of shares	%	Number of shares	%
Olivia Lum Ooi Lin	8,020	0.200	–	–	8,020	0.200
Teo Kiang Kok	3,000	0.075	–	–	3,000	0.075
Lee Joo Hai	–	–	–	–	–	–
Gay Chee Cheong	–	–	–	–	–	–
Christopher Murugasu	2,880 ⁽¹⁾	0.072	–	–	2,880	0.072
Simon Tay	–	–	–	–	–	–
Lau Wing Tat	–	–	–	–	–	–
Gary Kee Eng Kwee	–	–	–	–	–	–

Note:

(1) Includes 1,880 Class A Preference Shares which Mr Christopher Murugasu is holding in his capacity as executor and trustee for the estate of Ms Tang Hoong Yang nee Hong Sau Ching, deceased.

6% Perpetual Capital Securities

Directors	Direct Interest		Deemed Interest		Total Interest	
	Number of shares	%	Number of shares	%	Number of shares	%
Olivia Lum Ooi Lin	1,000,000	0.20	–	–	1,000,000	0.20
Teo Kiang Kok	200,000	0.04	–	–	200,000	0.04
Lee Joo Hai	–	–	–	–	–	–
Gay Chee Cheong	–	–	500,000 ⁽¹⁾	0.10	500,000	0.10
Christopher Murugasu	400,000	0.08	–	–	400,000	0.08
Simon Tay	500,000	0.10	–	–	500,000	0.10
Lau Wing Tat	50,000	0.01	–	–	50,000	0.01
Gary Kee Eng Kwee	–	–	500,000 ⁽²⁾	0.10	500,000	0.10

Notes:

(1) Held through Raffles Nominees (Pte) Ltd.

(2) Held through DBS Nominees (Private) Ltd.

- 9.2 **Substantial Shareholders' Interests in Hyflux Shares.** Based on the Register of Substantial Shareholders as at the Latest Practicable Date, the interests of the Substantial Shareholders in the Hyflux Shares are as follows:

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	Number of Hyflux Shares	%	Number of Hyflux Shares	%	Number of Hyflux Shares	%
Olivia Lum Ooi Lin	267,351,211	34.05	–	–	267,351,211	34.05

- 9.3 **Interests in the Proposed Distribution.** Directors who have interests in Hyflux Shares and the Substantial Shareholders would also have interests in HyfluxShop Shares and become shareholders of HyfluxShop respectively as a result of the Proposed Distribution. Save as disclosed in this Circular, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Distribution.

10. DIRECTORS' RECOMMENDATION

Having considered the terms of and the rationale for the Proposed Distribution, the Directors are of the opinion that the Proposed Distribution is in the interests of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Distribution (as set out in the Notice of EGM on pages 50 and 51 of this Circular) to be proposed at the EGM.

11. CONTROLLING SHAREHOLDER TO VOTE IN FAVOUR OF THE PROPOSED DISTRIBUTION

Ms Olivia Lum Ooi Lin, the Executive Chairman and Group CEO of the Company and a Controlling Shareholder of the Company holding approximately 34.05% of the total issued Hyflux Shares as at the Latest Practicable Date, has notified the Company of her intention to vote in favour of the Proposed Distribution.

12. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 50 and 51 of this Circular, will be held on Thursday, 1 February 2018 at 2.30 p.m. at Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949 for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution relating to the Proposed Distribution as set out in the Notice of EGM.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

- 13.1 **Appointment of proxies.** Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf, should complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with its printed instructions as soon as possible and in any event, so as to arrive at the registered office of the Company at Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949 not less than 72 hours before the time fixed for holding the EGM. The completion and return of the Proxy Form will not preclude the Shareholder from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the Proxy Form shall be deemed to be revoked.

13.2 **Notice for Depositors.** A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat, unless his name appears on the Depository Register maintained by CDP at least 72 hours before the time fixed for holding the EGM.

14. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Distribution and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

15. **FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT**

PPCF, being the financial adviser to the Company in relation to the Proposed Distribution, confirms that to the best of its knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Distribution, the Company and its subsidiaries, and PPCF is not aware of any facts the omission of which would make any statement in this Circular misleading.

16. **CONSENTS**

PPCF and the Receiving Agent have given and have not withdrawn their consent to the issue of this Circular with the inclusion of their names and all references to their names in the form and context in which they appear in this Circular.

17. **DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company;
- (b) the Annual Report of the Company for FY2016;
- (c) the Constitution of HyfluxShop; and
- (d) the letters of consent from PPCF and the Receiving Agent referred to in paragraph 16 of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
HYFLUX LTD

Olivia Lum Ooi Lin
Executive Chairman and Group CEO

PROCEDURES FOR CONTROLLING SHAREHOLDER PURCHASE

All capitalised terms used but not defined herein shall bear the meanings ascribed to them in the Circular.

1. DEPOSITORS

If you are a Shareholder with a Securities Account maintained with CDP (being a Depositor), your entitlement to the HyfluxShop Shares will be determined on the basis of the number of Hyflux Shares standing to the credit of your Securities Account as at the Books Closure Date on the basis of one (1) HyfluxShop Share for every 10 Hyflux Shares.

1.1. HyfluxShop Shares Entitlement and Controlling Shareholder Purchase Form (Scripless Shares)

After your Securities Account is credited with HyfluxShop Shares on the Date of Completion, CDP will send you:

- (a) a Controlling Shareholder Purchase Form (Scripless Shares) stating, *inter alia*, the number of HyfluxShop Shares that have been credited into your Securities Account; and
- (b) a pre-addressed return envelope;

by ordinary post on the Date of Forms Despatch at your own risk to your address as it appears in the records of CDP. Upon the despatch of the Controlling Shareholder Purchase Form (Scripless Shares), HyfluxShop will announce the despatch and upload the Controlling Shareholder Purchase Form (Scripless Shares) template on its corporate website at www.hyfluxshop.com.

1.2. Completion and submission of the Controlling Shareholder Purchase Form (Scripless Shares)

If you wish to offer to sell your HyfluxShop Shares to the Controlling Shareholder pursuant to the Controlling Shareholder Purchase, you should:

- (a) complete the Controlling Shareholder Purchase Form (Scripless Shares) in accordance with the provisions and instructions of this Circular and the instructions printed on the Controlling Shareholder Purchase Form (Scripless Shares). In particular, please state in Section A of the Controlling Shareholder Purchase Form (Scripless Shares) the number of HyfluxShop Shares already standing to the credit of the "Free Balance" of your Securities Account in respect of which you wish to offer to sell to the Controlling Shareholder. If you:
 - (i) do not specify such number; or
 - (ii) specify a number which exceeds the number of HyfluxShop Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt of the Controlling Shareholder Purchase Form (Scripless Shares) by CDP from the Receiving Agent,

you shall be deemed to have offered to sell **ALL** the HyfluxShop Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. on the Date of Receipt to the Controlling Shareholder;

- (b) sign the Controlling Shareholder Purchase Form (Scripless Shares) in accordance with the provisions and instructions of this Circular and the instructions printed on the Controlling Shareholder Purchase Form (Scripless Shares); and
- (c) deliver the completed and signed Controlling Shareholder Purchase Form (Scripless Shares) in its entirety relating to the HyfluxShop Shares in respect of which you wish to offer to sell, either:
 - (i) **by hand**, to the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
 - (ii) **by post**, in the enclosed pre-addressed return envelope, at your own risk, to the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623,

in each case so as to arrive not later than 5.00 p.m. on the last Market Day of the Purchase Period. If the completed and signed Controlling Shareholder Purchase Form (Scripless Shares) is delivered by post to the Receiving Agent, please use the enclosed pre-addressed return envelope. It is your responsibility to affix adequate postage on the said envelope.

For the avoidance of doubt, CDP will not process any Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares) that are sent directly from HyfluxShop Shareholders to CDP pursuant to the Controlling Shareholder Purchase.

1.3. Suspense Account

Upon CDP’s processing of the Controlling Shareholder Purchase Form (Scripless Shares) (and any other relevant documents), which has been accepted by the Controlling Shareholder and which is complete and valid in all respects in accordance with the provisions and instructions of this Circular and the instructions printed on the Controlling Shareholder Purchase Form (Scripless Shares), CDP will transfer the HyfluxShop Shares in respect of which you have offered to sell to the Controlling Shareholder, from the “Free Balance” of your Securities Account to a “Suspense Account”. Such HyfluxShop Shares will be held in the “Suspense Account” until the consideration for such HyfluxShop Shares has been despatched to you.

1.4. Notification and method of payment

CDP will send you a notification letter stating the number of HyfluxShop Shares debited from your Securities Account. Payment of the consideration (without any deductions for any transfer fees or costs) will be made by way of a cheque in Singapore currency drawn on a bank in Singapore for the appropriate amount and sent by ordinary post (at your own risk) to your mailing address as recorded with CDP, or in such other manner as you may have agreed with CDP for the payment of any cash distributions, as soon as practicable and, in respect of Controlling Shareholder Purchase Forms (Scripless Shares) which are complete and valid in all respects and are received during the Purchase Period, and which are accepted, within 10 Market Days when the HyfluxShop Shares are debited from your Securities Account by CDP.

1.5. Rejection

If:

- (a) the Controlling Shareholder Purchase Form (Scripless Shares) is received by the Receiving Agent after the Purchase Period has lapsed;
- (b) subject to any further rulings from the SIC, the acceptance of the Controlling Shareholder Purchase Form (Scripless Shares) would result in the Controlling Shareholder's shareholdings exceeding 29.99% of the total number of issued HyfluxShop Shares;
- (c) upon receipt by CDP of the Controlling Shareholder Purchase Form (Scripless Shares), it is established that such HyfluxShop Shares have not been, or will not be, credited into the "Free Balance" of your Securities Account (for example, where you sell or have sold such HyfluxShop Shares); or
- (d) your Controlling Shareholder Purchase Form (Scripless Shares) is incomplete, incorrect, unsigned or invalid in any respect,

your Controlling Shareholder Purchase Form (Scripless Shares) is liable to be rejected and none of CDP, PPCF, HyfluxShop, Hyflux, the Controlling Shareholder or the Receiving Agent (nor for the avoidance of doubt, any of HyfluxShop's related entities) accept any responsibility or liability for such rejection, including the consequences of such rejection. **The acceptance of any Controlling Shareholder Purchase Form(s) (Scripless Shares) so received by the Receiving Agent will be at the absolute discretion of the Controlling Shareholder on the basis as set out in paragraph 4.3.3 of the Circular.**

A notification letter will be sent by CDP informing the Depositor of any such rejection.

1.6. General

All communications, notices, documents and remittances to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. **No acknowledgements will be given for submissions of the Controlling Shareholder Purchase Forms (Scripless Shares) made by hand or by post to the Receiving Agent.** For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of HyfluxShop Shares credited into your Securities Account. You can verify such number through (i) CDP Online if you have registered for the CDP Internet Access Service, or (ii) CDP Phone Service if you have a T-PIN.

1.7. No Securities Account

If you do not have any existing Securities Account in your own name on the Date of Receipt, your offer to sell as contained in the Controlling Shareholder Purchase Form (Scripless Shares) will be rejected.

2. SCRIP SHAREHOLDERS

If you are a Scrip Shareholder whose Hyflux Shares are not deposited with CDP, entitlements to the HyfluxShop Shares will be determined on the basis of your holding of Hyflux Shares appearing in the Register of Members as at the Books Closure Date. Subject to the Proposed Distribution being approved by Shareholders at the EGM and the satisfaction of the Approvals (if any), Entitled Shareholders who are not Depositors will be credited with HyfluxShop Shares by the entry of their names as well as the relevant number of HyfluxShop Shares to be distributed to such Scrip Shareholders on the register of members of HyfluxShop to be maintained by the share registrar of HyfluxShop.

2.1. HyfluxShop Shares Entitlement and Controlling Shareholder Purchase Form (Scrip Form Shares)

When you are credited with HyfluxShop Shares by entry on the register of members of HyfluxShop on the Date of Completion, the share registrar of HyfluxShop will send you:

- (a) the physical share certificates in respect of the HyfluxShop Shares;
- (b) a Controlling Shareholder Purchase Form (Scrip Form Shares); and
- (c) a pre-addressed return envelope;

by ordinary post on or about the Date of Forms Despatch at your own risk to your address as it appears in the register of members of HyfluxShop. Upon the despatch of the Controlling Shareholder Purchase Form (Scrip Form Shares), HyfluxShop will announce the despatch and upload the Controlling Shareholder Purchase Form (Scrip Form Shares) template on its corporate website at www.hyfluxshop.com.

2.2. Completion and submission of the Controlling Shareholder Purchase Form (Scrip Form Shares)

If you wish to offer to sell your HyfluxShop Shares to the Controlling Shareholder pursuant to the Controlling Shareholder Purchase, you should:

- (a) complete the Controlling Shareholder Purchase Form (Scrip Form Shares) in accordance with the provisions and instructions of this Circular and the instructions printed on the Controlling Shareholder Purchase Form (Scrip Form Shares). In particular, please state in Part A of the Controlling Shareholder Purchase Form (Scrip Form Shares) the number of HyfluxShop Shares in respect of which you wish to offer to sell to the Controlling Shareholder and state in Part B the share certificate number(s) of the relevant share certificate(s). If you:
 - (i) do not specify a number; or
 - (ii) specify a number which exceeds the number of HyfluxShop Shares represented by the attached share certificate(s),

you shall be deemed to have offered to sell **ALL** the HyfluxShop Shares represented by the share certificate(s) accompanying the Controlling Shareholder Purchase Form (Scrip Form Shares) to the Controlling Shareholder;

- (b) sign the Controlling Shareholder Purchase Form (Scrip Form Shares) in accordance with the provisions and instructions of this Circular and the instructions printed on the Controlling Shareholder Purchase Form (Scrip Form Shares);

- (c) deliver the completed and signed Controlling Shareholder Purchase Form (Scrip Form Shares) in its entirety, the share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Controlling Shareholder relating to the HyfluxShop Shares in respect of which you wish to offer to sell, either:
- (i) **by hand**, to the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
 - (ii) **by post**, in the enclosed pre-addressed return envelope, at your own risk, to the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623,

in each case so as to arrive not later than 5.00 p.m. on the last Market Day of the Purchase Period. If the completed and signed Controlling Shareholder Purchase Form (Scrip Form Shares) is delivered by post to the Receiving Agent, please use the enclosed pre-addressed return envelope. It is your responsibility to affix adequate postage on the said envelope.

For the avoidance of doubt, CDP will not process any Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares) that are sent directly from HyfluxShop Shareholders to CDP pursuant to the Controlling Shareholder Purchase; and

- (d) if you are recorded in the register of members of Hyfluxshop as holding HyfluxShop Shares but do not receive the relevant share certificate(s) relating to such HyfluxShop Shares, you, at your own risk, are required to procure HyfluxShop to issue such share certificate(s) in accordance with the constitution of HyfluxShop and then deliver such share certificate(s) in accordance with the procedures set out in this Circular and the Controlling Shareholder Purchase Form (Scrip Form Shares). If your share certificate(s), Controlling Shareholder Purchase Form (Scrip Form Shares) and/or any other relevant document(s) required by the Controlling Shareholder, is/are not readily available or is/are lost, please contact Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

2.3. Method of payment

Payment of the consideration (without any deductions for any transfer fees or costs) will be made by way of a cheque in Singapore currency drawn on a bank in Singapore for the appropriate amount and sent by ordinary post (at your own risk) to your mailing address as it appears in the register of members of HyfluxShop as soon as practicable and, in respect of Controlling Shareholder Purchase Forms (Scrip Form Shares) which are complete and valid in all respects and are received during the Purchase Period, and which are accepted, within 10 Market Days of the date of receipt of the Controlling Shareholder Purchase Form (Scrip Form Shares) by the Receiving Agent.

2.4. Rejection

If:

- (a) the Controlling Shareholder Purchase Form (Scrip Form Shares) is received by the Receiving Agent after the Purchase Period has lapsed; or

- (b) subject to any further rulings from the SIC, the acceptance of the Controlling Shareholder Purchase Form (Scrip Form Shares) would result in the Controlling Shareholder's shareholdings exceeding 29.99% of the total number of issued HyfluxShop Shares; or
- (c) your Controlling Shareholder Purchase Form (Scrip Form Shares) is incomplete, incorrect, unsigned or invalid in any respect,

your Controlling Shareholder Purchase Form (Scrip Form Shares) is liable to be rejected and none of PPCF, HyfluxShop, Hyflux, the Controlling Shareholder or the Receiving Agent (nor for the avoidance of doubt, any of HyfluxShop's related entities) accept any responsibility or liability for such rejection, including the consequences of such rejection. **The acceptance of any Controlling Shareholder Purchase Form(s) (Scrip Form Shares) so received by the Receiving Agent will be at the absolute discretion of the Controlling Shareholder on the basis as set out in paragraph 4.3.3 of the Circular.**

A notification letter informing the Scrip Shareholder of any such rejection and the relevant share certificate(s) will be sent to such Scrip Shareholder.

2.5. General

All communications, notices, documents and remittances to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the register of members of HyfluxShop. **No acknowledgement of receipt of any Controlling Shareholder Purchase Form (Scrip Form Shares), share certificate(s), other document(s) of title, transfer form(s) and/or any other document(s) will be given by the Controlling Shareholder, HyfluxShop, the Receiving Agent or PPCF.**

3. GENERAL

3.1. Disclaimer

The Controlling Shareholder, the Receiving Agent and CDP (as the case may be) will be authorised and entitled, at their sole and absolute discretion, to reject any Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares), as the case may be, which are not in order or which do not comply with the provisions and instructions of this Circular and/or the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) or which are otherwise incomplete, incorrect, unsigned or invalid in any respect. If you wish to offer to sell your HyfluxShop Shares, it is your responsibility to ensure that the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares), as the case may be, is properly completed in all respects and all required supporting documents, where applicable, are provided. Any decision to reject any Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares) will be final and binding and none of the Controlling Shareholder, HyfluxShop, PPCF, the Receiving Agent or CDP accept any responsibility or liability in relation to such a decision, including the consequences thereof.

3.2. Discretion

Each of the Controlling Shareholder and the Receiving Agent reserves the right to treat any Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) as valid for processing by CDP if received by or on behalf of either of them at any place(s) determined by them otherwise than as stated in this

Circular or in the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares), as the case may be, or if made otherwise than in accordance with the provisions and instructions of this Circular or in the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares), as the case may be.

3.3. Deposit Time

If you hold HyfluxShop Shares in scrip form and wish to offer to sell the HyfluxShop Shares, you should not deposit your share certificate(s) with CDP as the HyfluxShop Shares may not be credited into your Securities Account in time for you to offer to sell. If you wish to offer to sell your HyfluxShop Shares, you should complete the Controlling Shareholder Purchase Form (Scrip Form Shares) and follow the procedures set out in Section 2 of this Appendix A.

3.4. Acceptances received on Saturday, Sunday or public holiday

Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares) received by the Controlling Shareholder, HyfluxShop and/or the Receiving Agent on a Saturday, Sunday or public holiday will only be processed and validated on the next Market Day. For the avoidance of doubt, CDP will not process any Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares) that is sent directly from HyfluxShop Shareholders to CDP pursuant to the Controlling Shareholder Purchase.

3.5. Evidence of Title

Delivery of the duly completed and signed Controlling Shareholder Purchase Forms (Scripless Shares) or Controlling Shareholder Purchase Forms (Scrip Form Shares) to the Receiving Agent shall be conclusive evidence in favour of CDP, the Receiving Agent and/or the Controlling Shareholder of the right and title of the person signing it to deal with the same and with the HyfluxShop Shares to which it relates.

3.6. Correspondences

All communications, notices, documents and remittances to be delivered or sent to you will be sent by ordinary post to your respective addresses as they appear in the records of CDP or in the Register of Members, as the case may be, at the risk of the person entitled thereto.

3.7. Consideration

The consideration payable for the transfer of a HyfluxShop Share pursuant to the Controlling Shareholder Purchase is S\$0.1783 for each HyfluxShop Share, payable in cash and the aggregate consideration payable to the relevant HyfluxShop Shareholder will be rounded to the nearest cent.

Settlement of the consideration under the Controlling Shareholder Purchase will be subject to the receipt of confirmation satisfactory to the Controlling Shareholder that the HyfluxShop Shares to which the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) relates are credited into the "Free Balance" of your Securities Account or the Register of Members and such settlement cannot be made until all relevant documents have been properly completed in all respects and submitted to the Receiving Agent, either: (i) **by hand**, to the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or (ii) **by post**, in the enclosed pre-addressed return envelope, at your own risk, to the Receiving Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

3.8. Shareholders abroad

If a HyfluxShop Shareholder is away from home, for example, abroad or on holiday, the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) should be sent by the quickest means (for example, express air mail) to the HyfluxShop Shareholder for execution, or, if he has executed a Power of Attorney, the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares) may be signed by the Attorney but the signature must be accompanied by a statement reading “**signed under the Power of Attorney which is still in force, no notice of revocation having been received**”. In the latter case, the original Power of Attorney or a certified true copy thereof must first be submitted to the Receiving Agent with the Controlling Shareholder Purchase Form (Scripless Shares) or Controlling Shareholder Purchase Form (Scrip Form Shares). **No other signatures are acceptable.**

3.9. Appointment of CDP as processing agent

For the avoidance of doubt, CDP shall be appointed only as a processing agent for the Controlling Shareholder Purchase. All queries and submissions by HyfluxShop Shareholders are to be directed to the Receiving Agent.



HYFLUX LTD

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING (the “**EGM**”) of Hyflux Ltd (the “**Company**”) will be held at 2.30 p.m. on Thursday, 1 February 2018 at Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949 for the purpose of considering and, if thought fit, passing, with or without modifications, the following ordinary resolution:

ORDINARY RESOLUTION: THE PROPOSED DISTRIBUTION

THAT pursuant to Regulation 142 of the Constitution of the Company:

- (a) subject to the satisfaction of the Approvals (if any) (as described in paragraph 2.8.6 of the Company’s circular dated 17 January 2018 (the “**Circular**”)), the Company makes a distribution of ordinary shares in the issued share capital of HyfluxShop Holdings Pte. Ltd. (the “**HyfluxShop Shares**”) held by the Company, to the shareholders of the Company (collectively, the “**Shareholders**” and each a “**Shareholder**”) by way of a dividend *in specie* (the “**Proposed Distribution**”) on the basis of one (1) HyfluxShop Share for every 10 ordinary shares in the issued share capital of the Company (each a “**Hyflux Share**”) held by Entitled Shareholders at the Books Closure Date (as defined in the Circular), fractional entitlements to be disregarded, free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is completed, except that the HyfluxShop Shares will not be distributed to any Shareholder whose registered address as at the Books Closure Date (as recorded in the Register of Members or in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”)) for the service of notices and documents is outside Singapore (an “**Overseas Shareholder**”) and who have not at least three (3) Market Days prior to the Books Closure Date provided the Company’s Share Registrar (being 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 an address in Singapore for the service of notices or documents;
- (b) any fractional entitlement to HyfluxShop Shares to be disregarded, or otherwise dealt with in such manner and on such terms and conditions as the Directors deem fit;
- (c) the Directors and each of them be and are hereby authorised to determine the amount to be appropriated out of the retained profits of the Company to meet the value of the HyfluxShop Shares to be distributed to the Entitled Shareholders (as defined in the Circular) based on the carrying value of the HyfluxShop Shares in the accounts of the Company; and

- (d) the Directors and each of them be and are hereby authorised and empowered to complete and do all such acts and things, decide all questions and exercise all discretion (including, but not limited to, approving, modifying and executing all documents) as they may consider necessary or expedient in connection with the Proposed Distribution and/or to give effect to the Proposed Distribution.

By Order of the Board

Lim Poh Fong

Company Secretary

Singapore, 17 January 2018

Note:

1. Save in respect of relevant intermediaries (as defined under the Companies Act, Chapter 50 of Singapore) who are entitled to appoint more than two (2) proxies, a member entitled to attend and vote at the Extraordinary General Meeting (the "**Meeting**") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company at Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949 not less than 72 hours before the time appointed for holding the Meeting.

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HYFLUX LTD

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

IMPORTANT:

1. A relevant intermediary may appoint more than two (2) proxies to attend the Meeting and vote.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Please read the notes to this Proxy Form.

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

I/We, _____ (Name and NRIC/Passport No.)

of _____ (Address)

being a Shareholder(s) of Hyflux Ltd (the "Company"), hereby appoint:-

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held on 1 February 2018 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

	No. of Votes For*	No. of Votes Against*
Ordinary Resolution		
To approve the Proposed Distribution		

* If you wish to exercise all your votes "For" or "Against" the resolution, please tick "✓" within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the resolution, please indicate the number of Shares in the boxes provided.

Dated this _____ day of _____ 2018

Total Number of Shares held	
------------------------------------	--

Signature(s) of Shareholder(s) or Common Seal
of Corporate Shareholder(s)

IMPORTANT: Please read the notes overleaf before completing this Proxy Form



NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. However, if you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. Save in respect of relevant intermediaries (as defined under the Companies Act, Chapter 50 of Singapore) who are entitled to appoint more than two (2) proxies, a Shareholder of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote instead of him. A proxy need not to be a Shareholder of the Company. Where a Shareholder appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named proxy.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Hyflux Innovation Centre, 80 Bendemeer Road, Singapore 339949 not less than 72 hours before the time appointed for the Meeting.

fold along this line (1)

Affix
Postage
Stamp

The Company Secretary
HYFLUX LTD
Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949

fold along this line (2)

4. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (unless previously registered with the Company) be lodged with the instrument of proxy, failing which, the instrument may be treated as invalid.
5. A corporation which is a Shareholder may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shareholders whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Shareholders are not shown to have Shares entered against their name in the Depository Register 72 hours before the time appointed for the holding of the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
7. Completion and return of this instrument appointing a proxy shall preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such an event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.