



STRENGTH  
STABILITY  
STRATEGY

Annual Report 2009

# Hyflux Water Trust

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First pure-play global water business trust to be listed on a securities exchange in Asia

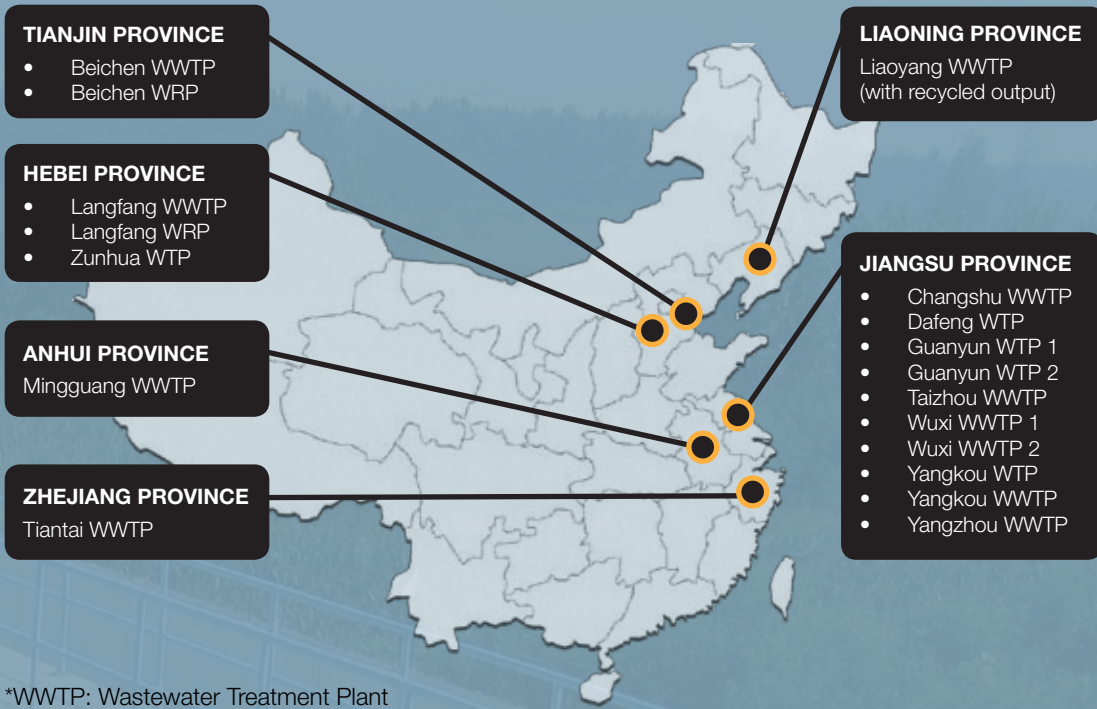


Robust, technologically advanced wastewater treatment, water recycling and water treatment operations, with strong Sponsor support



# STRENGTH

**18 plants**  
**580,000 m<sup>3</sup>/day total designed capacity**



\*WWTP: Wastewater Treatment Plant  
\*WRP: Water Recycling Plant  
\*WTP: Water Treatment Plant

A diversified portfolio  
built on  
sturdy cornerstones

Well-positioned in the  
growing water-related  
infrastructure market

Concession  
agreements with  
exclusive rights

Strong support and  
commitment from  
established and  
reputable Sponsor

Experienced board  
of directors and  
management team

Sound and prudent  
capital structure

Long-term partnerships with governments and rigorous corporate discipline for steady growth

# STABILITY



**Strong  
corporate  
governance**

**Extensive  
concession agreements  
with governments:**

Long concession periods of up to 30 years

Exclusive concession areas

Minimum off-take provisions

Tariff adjustment mechanisms

**Cost and efficiency  
guarantees from  
service providers**

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A sound business model  
underpinned by  
a firm foundation

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Comprehensive platform to capitalise on  
investment opportunities

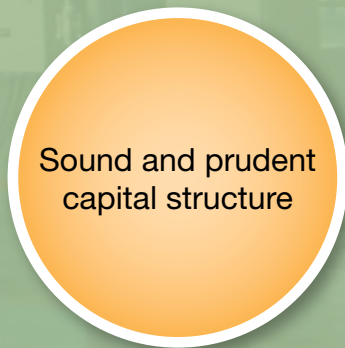
# STRATEGY



- Plant enhancement
- Plant expansion
- External acquisition
- ROFOAR\* acquisition



- Water-related infrastructure assets
- Yield accretive
- Provide long-term, regular and predictable cash flows
- Acceptable level of off-take risk
- Possess sound market fundamentals



- Debt not greater than 60% of assets (excluding goodwill)

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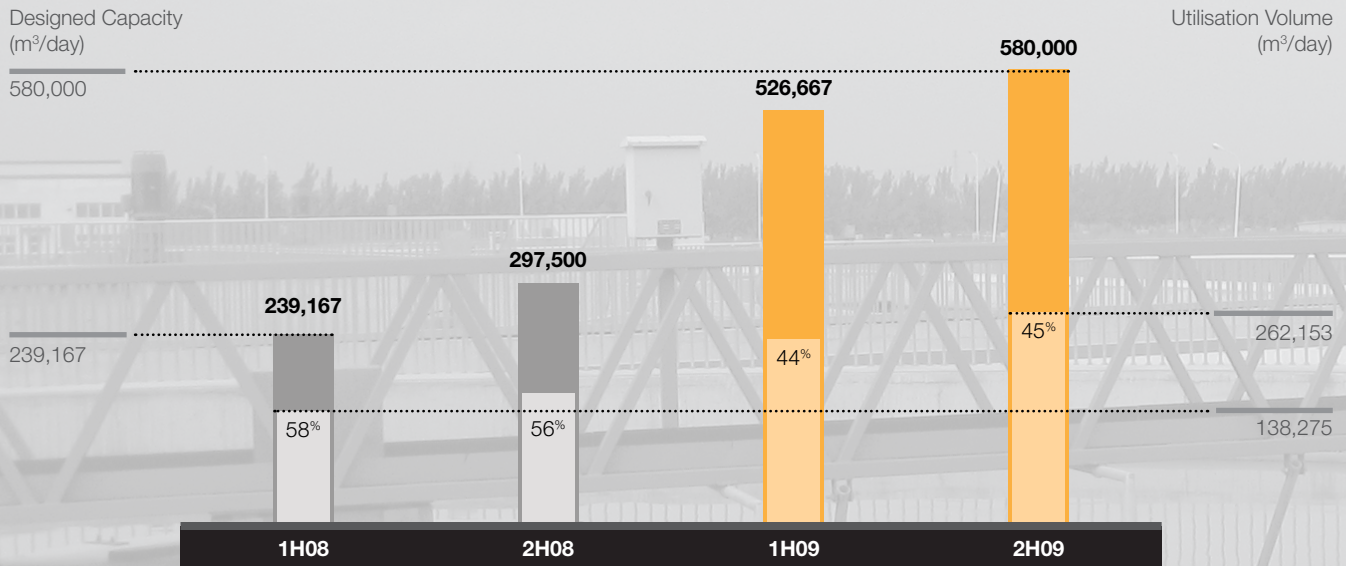
Committed to delivering attractive long-term returns to our unitholders

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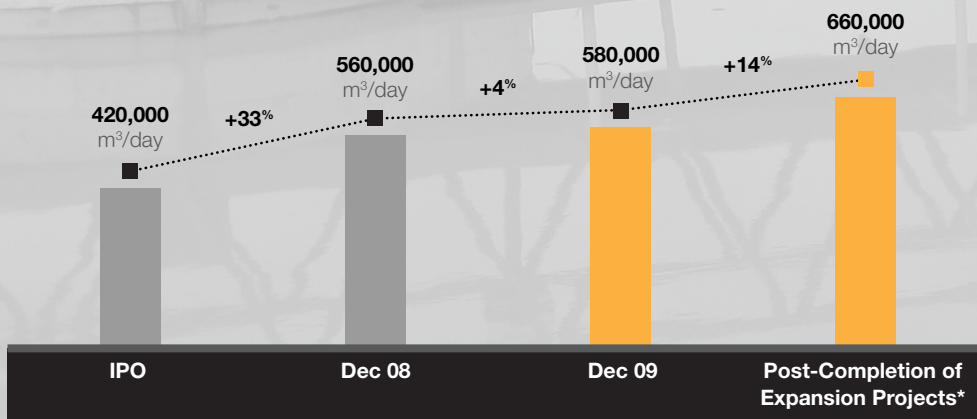
\* Right of First Offer and Refusal

# PERFORMANCE HIGHLIGHTS

## HALF-YEARLY AVERAGE DESIGNED CAPACITY OF PLANTS IN OPERATION, UTILISATION VOLUME AND UTILISATION RATE



## TOTAL DESIGNED CAPACITY



\* Please refer to page 20 for details



Zunhua WTP

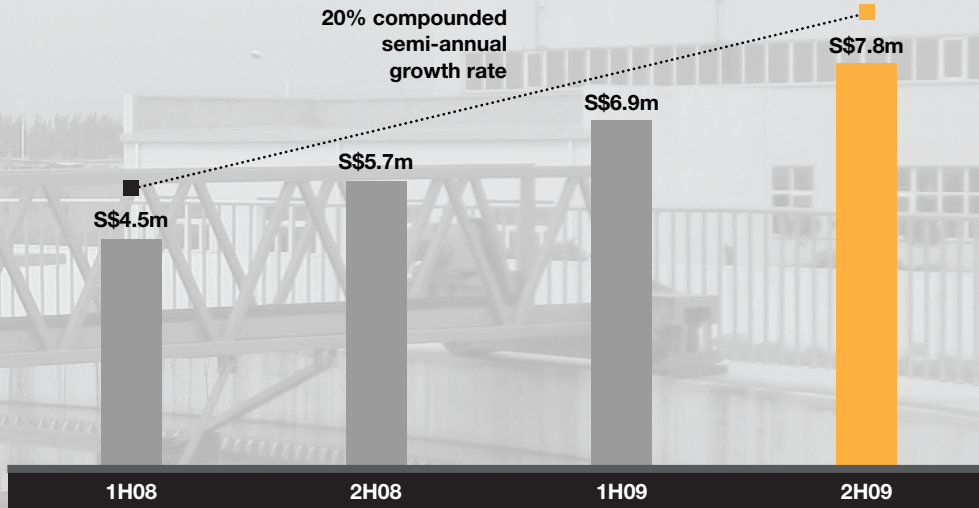


Langfang WRP

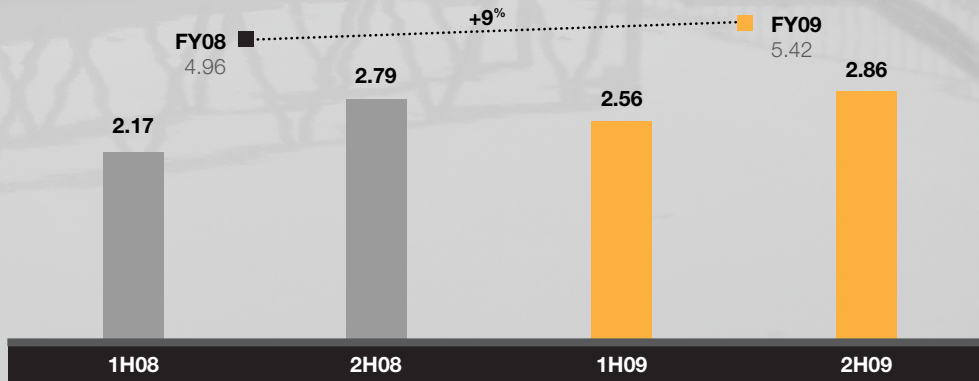


Beichen WWTP

## DISTRIBUTABLE CASH



## DISTRIBUTION PER UNIT\* (Singapore Cents)



\* For all unitholders except Sponsor and Trustee-Manager



Wuxi WWTP



Beichen WWTP



Beichen WRP

## LETTER TO UNITHOLDERS



**(L-R):** Mr Gary Kee (CEO) and Mr Teo Kiang Kok (Chairman)

Dear Unitholders,

On behalf of the board of directors of Hyflux Water Trust Management Pte. Ltd., the trustee-manager (“Trustee-Manager”) of Hyflux Water Trust (“HWT”), we are pleased to present the HWT annual report for the financial year ended 31 December 2009.

Building on a diversified portfolio and customer base, HWT was able to register stable performance despite the global economic crisis and the resulting slowdown. Key revenue streams continued to grow steadily and as a result, HWT is able to make improved distributions to unitholders for FY09.

### **FY09 PERFORMANCE: COMMITMENT TO GROWTH**

The global economy experienced a sudden and deep downturn in recent years and HWT was not spared. Demand for water treatment, recycling and distribution services in the industrial parks and economic zones which our plants serve were severely dampened by the global slump. However, our strong and broad base of customers across industries supported overall demand. Minimum off-take provisions in our concession agreements contributed to steady minimum tariff revenue and distributable cash.

“The Trustee-Manager remains committed to strengthening HWT’s operational excellence and competitiveness.”

We were able to leverage on our contractual rights and close partnerships with PRC authorities to successfully obtain tariff adjustments for various plants. We were able to increase total water throughput by 62% year-on-year to an average of 246,000 m<sup>3</sup>/day. At the same time, our cost structure was rigorously and conscientiously managed to minimise erosion to our earnings.

For the financial year ended 31 December 2009, we are pleased to report a 44% year-on-year increase in distributable cash from S\$10.2 million in FY08 to S\$14.7 million. FY09 total distribution per unit to all unitholders other than the Sponsor and Trustee-Manager was 5.42 Singapore cents, in line with the forecast disclosed in our circular dated 29 November 2008.

### **STRONG SPONSOR COMMITMENT**

Since the HWT IPO in 2007, Hyflux Ltd as HWT Sponsor has strongly supported HWT through various initiatives, such as the distribution waiver and subordination structure and the Deed of Undertaking entered into in respect of the acquisition of 5 plants by HWT in December 2008 and June 2009.

The success of HWT ultimately rests on its business fundamentals and timely execution of both operational and strategic plans. The Trustee-Manager remains committed to strengthening HWT’s operational excellence and competitiveness.

### **CAPITALISING ON TRENDS TO GROW PORTFOLIO**

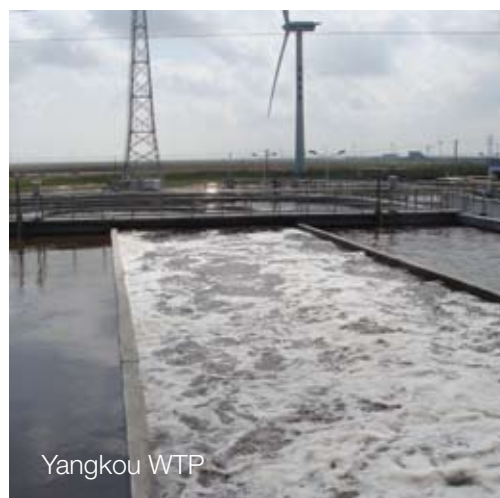
HWT’s portfolio growth comes about either by acquisition of new plants or organic growth through expansion of existing plants. Our existing plants in Changshu, Langfang, Tiantai and Yangzhou provinces which have seen strong utilisation, will undergo further expansion in the current year. These expansion plants are expected to be completed and to start generating revenue in the second half of 2011. Upon completion, they will add another 14% or 80,000 m<sup>3</sup>/day to our total designed capacity, bringing it to 660,000 m<sup>3</sup>/day by 2011.

In our FY08 performance review, we had noted the investment opportunities in the PRC water sector due to critical water pollution and water shortages issues. Since then, more stringent water discharge standards have been introduced in the PRC, pursuant to which we undertook two plant enhancement projects in FY09 in return for higher water tariffs.

### **STABLE RETURNS**

HWT plants operate under exclusive concession agreements with long concession periods of up to 30 years, often with minimum off-take provisions. In addition, agreements with service providers incorporate mechanisms to regulate and contain operating costs and promote operational efficiency. Collectively, such measures protect our margins and facilitate regular, stable and predictable cash flows over the long term.

## LETTER TO UNITHOLDERS



“Although macro economic factors show some signs of uptrend, the global economic outlook remains mixed. However, the overall medium to long-term outlook for the global water sector, particularly in the PRC, should remain strong.”

### OUTLOOK FOR FY10

Although macro economic factors show some signs of uptrend, the global economic outlook remains mixed. However, the overall medium to long-term outlook for the global water sector, particularly in the PRC, should remain strong. While there would be inherent lag between any global recovery and increase in demand for our services, we do expect average utilisation rate to improve in FY10 on the whole. HWT is well-positioned to benefit from any sustained upturn.

HWT has a solid capital structure. With total debt as a percentage of total assets (excluding goodwill) at a relatively low 24% as at 31 December 2009, HWT has the flexibility to leverage further to pursue growth.

On that note, the Trustee-Manager is very much focused on organic growth through expansion and enhancement of plants and increasing utilisation of the existing portfolio in FY10, while remaining open to acquisition opportunities.

We will also continue to focus on cost management and reduction initiatives to improve margins and distributable cash and pursue any tariff revision opportunity.

### PULLING TOGETHER AS ONE

On behalf of the Board of Directors and management of the Trustee-Manager, we would like to thank our Sponsor Hyflux Ltd and all HWT unitholders for the strong support for and interest in HWT. We look forward to a successful and fruitful 2010 ahead.

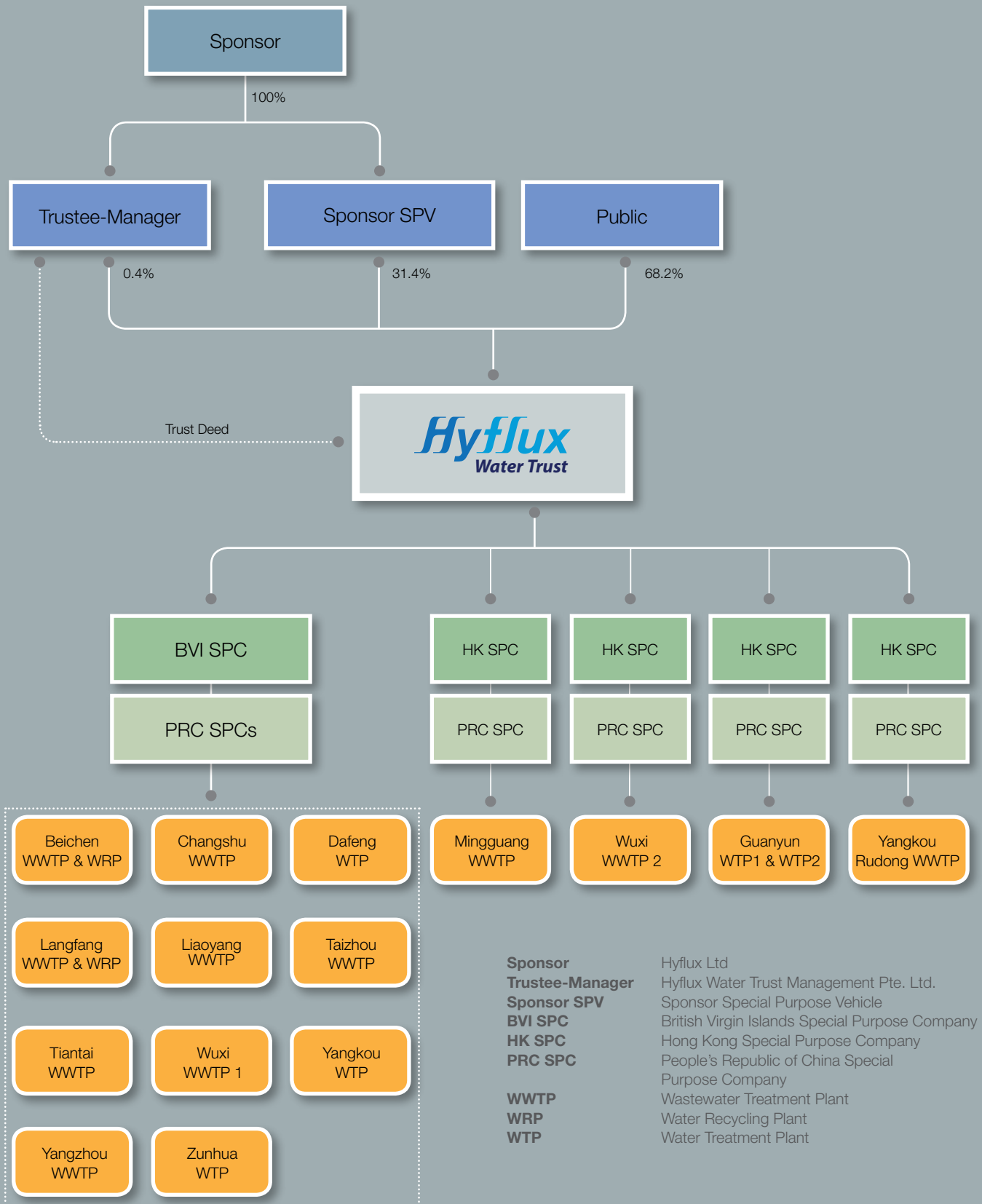
**Mr Teo Kiang Kok**  
Chairman

**Mr Gary Kee**  
CEO

12 March 2010

# CORPORATE STRUCTURE

(As at 12 March 2010)



## BOARD OF DIRECTORS



### **MR TEO KIANG KOK**

*Chairman, Non-Independent and Non-Executive Director*

Mr Teo was appointed as a Non-Independent and Non-Executive Director on 23 April 2009. He currently heads the Corporate & Corporate Finance and China practices of Shook Lin & Bok LLP (“SLB”).

Mr Teo was admitted to the Singapore bar in 1983 and has been a partner of SLB since 1988. Prior to joining SLB in 1987, he worked for brief periods as an associate with an international law firm and as a corporate finance executive with an international investment bank.

In his 25 years of practice, he has advised on a wide range of corporate finance transactions, particularly securities offerings, mergers and acquisitions, joint ventures and strategic investments. He has significant experience in equity capital markets and has advised on many public offerings of securities by Singapore and foreign companies including those from the PRC. Mr Teo also has expertise with mergers and acquisitions of Singapore and foreign companies including those from the PRC. Mr Teo’s regional practice includes foreign investment work in and out of Singapore, the PRC, India and the ASEAN countries.

In the course of his legal practice, Mr Teo has advised listed companies extensively on corporate law and regulatory compliance and in particular, the requirements of the Singapore Exchange Securities Trading Limited.

Mr Teo obtained his Bachelor of Law (Honours) degree from the University of Hull and is a Barrister-at-Law from Lincoln’s Inn.

### **MR GARY KEE**

*Non-Independent and Executive Director and CEO*

Mr Gary Kee was appointed as CEO and Executive Director on 23 February 2009. He has full executive responsibility over the business, operations and management of the Trustee-Manager.

Prior to his appointment, Mr Kee held numerous senior regional and global management positions in Finance, Operations and Strategic Business Development in his 23-year tenure at Hewlett Packard. He last served as Director, Head of Strategy and Corporate Development for Asia Pacific & Japan and was responsible for developing strategies to support inorganic growth and managing investment activities.

Before joining Hewlett Packard, Mr Kee was a Management Consultant with Arthur Andersen Associates (now known as Accenture). Mr Kee has also served as a Board Director of various companies and JTC Corporation.

Mr Kee holds a Bachelor of Commerce from McMaster University Canada and an MBA from the University of Texas at Arlington, USA.



**(L-R):** Mr Teo Kiang Kok, Mr Gary Kee, Mr Lau Wing Tat, Mr Sam Ong, Mr Ivan Png, Mr Simon Tay, Mr John Teo

### **MR LAU WING TAT**

#### *Independent and Non-Executive Director*

Mr Lau was appointed as an Independent Director on 24 April 2009. He is currently the Executive Director of Sunmax Capital Pte Ltd, a boutique corporate advisory firm providing consultancy services to companies. Mr Lau is also a member of the Investment Committee at NTUC Income of Singapore and a Board Director of GD Express Carrier Bhd in Malaysia.

Mr Lau started his career as a Project Engineer with Esso Singapore Private Limited in 1979 before becoming an Assistant Consultant with PA Consultant in 1982. He subsequently joined the Government of Singapore Investment Corporation ("GIC") where he served for 20 years and was last appointed to the GIC Senior Management team for four years, during which he oversaw the entire equities investing operations of GIC. In addition, he was appointed as a Non-Executive Director on the Board of Thistle Hotel PLC and to the board of Distacom Communications Limited (Hong Kong) by GIC.

Mr Lau joined GD Express in May 2003 and spearheaded its public listing on the Mesdaq section of Bursa Malaysia. From February 2005 until June 2007, Mr Lau was with DBS Asset Management Limited, a wholly owned subsidiary of DBS Bank in Singapore, where he held the appointments of both CEO and Chief Investment Officer.

Mr Lau holds a Bachelor of Mechanical Engineering (First Class Honours) from the then University of Singapore and is a Chartered Financial Analyst charter holder.

### **MR SAM ONG**

#### *Non-Independent and Non-Executive Director*

Mr Sam Ong was appointed as a Non-Independent and Non-Executive Director on 2 October 2008. He is currently Hyflux Group Deputy CEO & CFO.

Mr Ong is in charge of the overall operational and financial management as well as the infrastructure investment programme and is responsible for the overall risk management of the Hyflux Group.

He joined Hyflux Ltd in September 2006 as Group Executive Vice President & Chief Investment Officer ("CIO") and headed the Group's overall investment activities, joint ventures management, legal department, mergers and acquisitions, risk management as well as corporate and investor relations. In 2007, he was appointed Group CFO in addition to his responsibilities as CIO. He relinquished his CIO portfolio upon assuming the position of Hyflux Group Deputy CEO and CFO in January 2008. Notably, Mr Ong led the constitution of HWT amongst many other key corporate initiatives.

In the 18 years prior to joining Hyflux, Mr Ong held global and Asia Pacific leadership positions in the United States and Singapore in areas ranging from treasury and finance, pension fund investment, strategic planning, project financing to business development.

Mr Ong holds a Bachelor of Economics from the University of Alberta, Canada and an MBA from Drake University, USA.

## BOARD OF DIRECTORS

### **MR IVAN PNG**

#### *Independent and Non-Executive Director*

Mr Ivan Png was appointed as an Independent Director on 3 October 2007. Mr Png is a Lim Kim San Professor in the School of Business and Professor of Information Systems and Economics at the National University of Singapore.

From 2005 to 2006, he was a Nominated Member of the Singapore Parliament. He was previously a faculty member at the University of California, Los Angeles and the Hong Kong University of Science and Technology.

Mr Png is currently an Independent Director of Healthway Medical Corporation Ltd and a member of the Trustworthy Computing Academic Advisory Board of Microsoft Corporation. He is also a consultant with Economic Analysis Associates LLP.

Mr Png holds a Bachelor of Arts (First Class Honours) in Economics from the University of Cambridge and a Doctorate of Philosophy in Business from the Stanford University.

### **MR SIMON TAY**

#### *Independent and Non-Executive Director*

Mr Simon Tay was appointed as an Independent Director on 1 May 2008. He is an Associate Professor and teaches international law and public policy as a joint appointment at the Faculty of Law and LKY School of Public Policy, National University of Singapore.

Mr Tay is concurrently chairman of the Singapore Institute of International Affairs, a non-governmental think tank that represents Singapore in the influential ASEAN-ISIS network of regional think tanks and which has been rated top 15 among its peers in Asia. From July 2002 to 31 March 2008, he was the chairman of the National Environment Agency, Singapore's major agency for environmental protection and public health. He has been a visiting professor to teach at the Harvard Law School, Fletcher School of Law and Diplomacy and Yale University. In 2009, he was Schwartz Fellow at Asia Society in New York and is now co-chair of its Global Council.

Mr Tay was selected for three terms as a Nominated Member of the Singapore Parliament (1997 – 2001) and has served to lead public consultations on Singapore

in the 21st century, the national concept plan, and the Singapore Green Plan 2012. In 2006, he received the Public Service Medal (Pingat Bakti Masyarakat, PBM), a Singaporean National Day award.

Mr Tay was a Fulbright scholar at Harvard Law School from 1993-1994, where he won the Laylin prize for the best thesis in international law. He has spoken at international meetings for business such as Davos and the APEC CEO summit and advised multinationals of business and risk in Asia. His comments have also featured in the international media including CNN, BBC and Bloomberg.

Mr Tay holds a Bachelor of Laws (Honours) from the National University of Singapore and a Masters in Law from Harvard Law School and is a qualified Advocate and Solicitor of the Supreme Court of Singapore.

### **MR JOHN TEO**

#### *Independent and Non-Executive Director*

Mr John Teo was appointed as Independent Director on 24 April 2009. He is the co-founder of accounting practice TeoFoongWongLCLoong and Baker Tilly TFWLCL, where he was a senior partner and now an independent consultant.

Mr John Teo started his accountancy career in London in late 1969 and qualified as a Chartered Accountant in 1974. He was with Deloitte Singapore for five years, where he was senior audit manager before leaving to start his own public accountancy firm in 1981. He has extensive knowledge and experience in the field of audits, corporate advisory, insolvency, restructuring, forensic and accounting services. He was also a director of executive recruitment. His audit clientele includes public listed, multi-national companies and small to large local enterprises of various industries including a host of charitable institutions.

Mr Teo is currently a Board Director of Raffles Education Corporation Limited and on the board of several Charitable Institutions.

Mr Teo is a Fellow of the Institutes of Chartered Accountants in England & Wales, Certified Public Accountants, Singapore and Australia and a member of the Chartered Management Institute, UK.

## SENIOR MANAGEMENT



**(L-R):** Mr Gary Kee, Mr Wong Heng Hwie, Mr Pang Yeong Piao, Mr Daniel Ong

### **MR GARY KEE**

*Non-Independent and Executive Director and CEO*

(Refer to Board of Directors Section)

### **MR WONG HENG HWIE**

*Vice President, Finance*

Mr Wong is responsible for the overall financial management, corporate compliance, accounting and internal controls of HWT. Mr Wong has more than 15 years of regional working experience in local listed companies, US multi-national corporations and a leading international accounting firm. He participated in numerous merger and acquisition exercises including joint ventures in the region. He was also involved in financing initiatives comprising syndicated loans and banking facilities for the general funding requirement of these companies. He was primarily responsible for the companies' reporting functions and the principal internal control systems and procedures.

Mr Wong holds a Bachelor of Accountancy (Merit) from the Nanyang Technological University of Singapore. He is a non-practicing member of the Institute of Certified Public Accountants of Singapore.

### **MR PANG YEONG PIAO**

*Vice President, Legal and Company Secretary*

Mr Pang is responsible for all legal matters as well as compliance with applicable laws, regulatory requirements and corporate governance. He works with the CEO and other members of the Trustee-Manager's management team to formulate policies and procedures relating to legal, corporate governance and corporate secretarial matters.

Mr Pang previously practised with a major local law firm and worked in the banking entity of a blue-chip company listed on the New York Stock Exchange. Prior to joining the Trustee-Manager, Mr Pang was counsel in the Hyflux Group legal department, where his areas of responsibilities included both local as well as Middle East and North Africa region transactions and matters.

Mr Pang holds a Bachelor of Laws (Honours) from the National University of Singapore and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2000.

### **MR DANIEL ONG**

*Vice President, Investment*

Mr Ong is responsible for the evaluation and execution of potential acquisition opportunities for HWT as well as expansion and modification investments of the existing portfolio. Prior to joining the Trustee-Manager, Mr Ong held senior managerial positions in business development, corporate development and corporate finance with various local listed companies in the heavy lift & haulage, power and industrial sectors. Mr Ong participated in various corporate exercises including business co-operations, joint ventures, mergers and acquisitions, divestments, financing for start-up companies, initial public offerings and rights issue offerings.

Mr Ong holds a Bachelor of Science (Merit) majoring in Economics from the National University of Singapore and an MBA in Investment and Finance from the University of Hull.

## PERFORMANCE REVIEW

We are confident that HWT's business model will enable us to continue to deliver stable and sustainable distribution over the long term for our unitholders.

### PORTFOLIO PERFORMANCE REVIEW

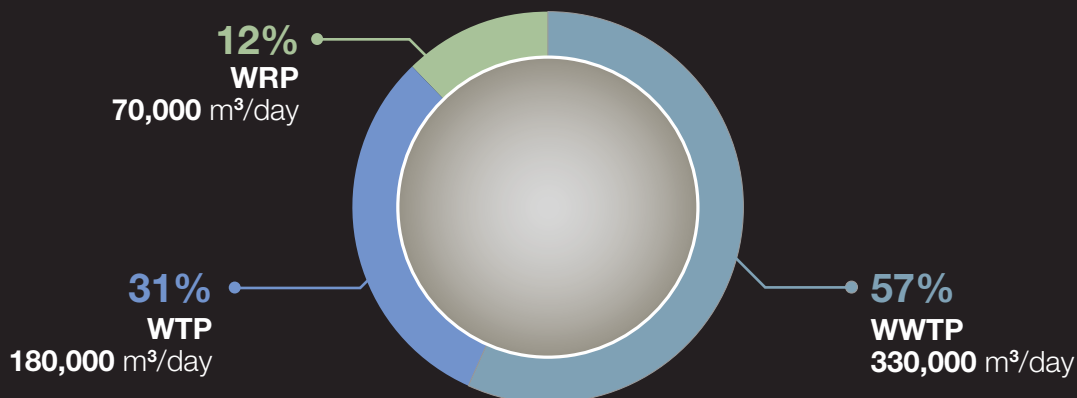
In FY09, HWT acquired Yangkou Rudong WWTP (designed capacity: 20,000 m<sup>3</sup>/day) and completed the construction of Zunhua WTP (designed capacity: 40,000 m<sup>3</sup>/day), bringing the total number of plants in operation to 18 and total designed capacity to 580,000 m<sup>3</sup>/day.



The average daily volume throughput increased by 62% or about 94,000 m<sup>3</sup>/day to around 246,000 m<sup>3</sup>/day in FY09 as compared to FY08, as more plants contributed a full year of revenue in FY09. Revenue also rose as a result of tariff increases secured by some plants. Two of these plants, Changshu WWTP and Wuxi WWTP, were enhanced to improve their water discharge quality and obtained corresponding increases in water tariffs. As a result, total Operating and Maintenance Income and Finance Income (*please refer to note at the end of this section on Construction Revenue*) in FY09 rose by 67% or S\$9.9 million to S\$24.6 million as compared to S\$14.7 million in FY08.

Total designed capacity also increased while average utilisation rate was about 45% of total designed capacity, as new plants progressively ramp up. While the economic growth of some industrial parks and economic zones where HWT operate in were hampered by the global recession, water volume throughput nevertheless is near to or has exceeded

### DESIGNED CAPACITY BY PLANT TYPE AS AT 31 DECEMBER 2009



full capacity for some plants and expansion plans are already in place. We expect total water volume throughput to improve as industrial production activities gradually pick up and domestic consumption increases over time.

**Note:**

For HWT, the Construction Revenue recognised in accordance with INT FRS112 is a non-tariff accounting revenue and is always offset by an equivalent amount of Construction Expense and therefore has no impact on Net Operating Income and Distributable Cash.



The breakdown of the utilisation rates of the plants is as follows:

Plant	Utilisation Rate
Beichen WRP	B
Beichen WWTP	B
Changshu WWTP	A
Dafeng WTP	B
Guanyun WTP 1	B
Guanyun WTP 2	B
Langfang WRP	B
Langfang WWTP	A
Liaoyang WWTP (with recycled output)	A
Mingguang WWTP	A
Taizhou WWTP	B
Tiantai WWTP	A
Wuxi WWTP 1	B
Wuxi WWTP 2	B
Yangkou Rudong WWTP	B
Yangkou WTP	B
Yangzhou WWTP	A
Zunhua WTP	B

A: Utilisation rate > or = 50%

B: Utilisation rate <50%

**S\$14.7 m**

Distributable Cash for FY09

**+44%**

Year-on-Year Increase in Distributable Cash

## PERFORMANCE REVIEW

### EXPANSION PROJECTS

In FY09, the local Administrative Authorities in Changshu, Langfang, Tiantai and Yangzhou negotiated with the Trustee-Manager to expand the capacities of the existing WWTPs located in those provinces in anticipation of strong growth in wastewater volume in the near future. In view of the healthy economic fundamentals of the corresponding concession areas and close to full capacity utilisation of the WWTPs, the Trustee-Manager will proceed with the expansion projects.

Plant	Existing Designed Capacity (m <sup>3</sup> /day)	Expansion Designed Capacity (m <sup>3</sup> /day)	Post-Expansion Designed Capacity (m <sup>3</sup> /day)	Expected PCOD*	New Concession Period (from PCOD*)
Changshu WWTP	30,000	10,000	40,000	1H 2011	26 years
Langfang WWTP	80,000	30,000	110,000	2H 2011	25 years
Tiantai WWTP	20,000	20,000	40,000	1H 2011	20 years
Yangzhou WWTP	20,000	20,000	40,000	2H 2011	20 years
<b>Total</b>	<b>150,000</b>	<b>80,000</b>	<b>230,000</b>	–	–

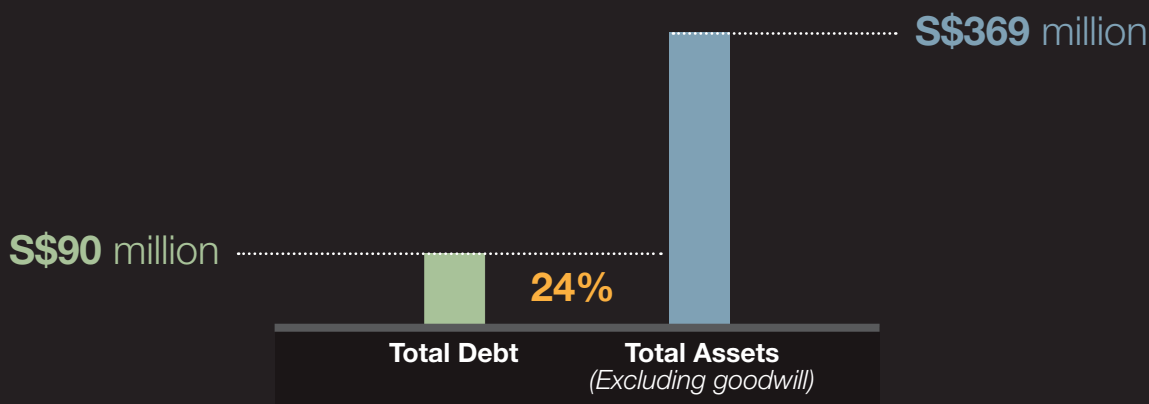
\*PCOD: Project Commercial Operation Date

Upon completion of all the above expansion projects, the total designed capacity of HWT's portfolio will increase by 14% from 580,000 m<sup>3</sup>/day to 660,000 m<sup>3</sup>/day. Tariffs are expected to increase as a result of these expansions, which would improve overall project economics.

### GEARING AND FUNDING UPDATE

As at the end of FY09, total debt as a percentage of total assets (excluding goodwill) ("gearing") was 24%. The relatively low gearing is in line with the prudent capital management adopted by the Trustee-Manager and has enabled HWT to weather the volatile market in the last two years. Given the long-term gearing upper limit of

#### TOTAL DEBT TO TOTAL ASSETS (EXCLUDING GOODWILL) AS AT 31 DECEMBER 2009



60%, HWT has the financial flexibility to undertake further strategic growth plans when such opportunities arise. The outstanding debt of S\$89.6 million as at 31 December 2009 is not due till February 2011. As at the date of this report, the Trustee-Manager is already in discussions with lenders about a new loan facility. Further details will be announced in due course.

## DISTRIBUTABLE CASH & DISTRIBUTION PER UNIT PERFORMANCE

HWT makes distributions to unitholders on a semi-annual basis, with the amount calculated based on a six-month period ended as at 30 June and 31 December each year.

Distributable Cash for FY09 was S\$14.7 million, an increase of S\$4.5 million or 44% as compared to the S\$10.2 million for FY08, driven by a higher water volume throughput, tariff increases and cost control measures.

For 1H09, Distributable Cash was S\$6.9 million, which translated to a Distribution Per Unit (“DPU”) of 2.56 Singapore cents, after subordination and/or waiver of distribution entitlement by the Sponsor and Trustee-Manager.

For 2H09, Distributable Cash was S\$7.8 million, which translated to a DPU of 2.86 Singapore cents, after subordination and/or waiver of distribution entitlement by the Sponsor and Trustee-Manager.

During the year under review, the Trustee-Manager elected to receive part of its FY09 management fees in HWT units in lieu of cash pursuant to its undertaking as disclosed in the HWT prospectus dated 27 November 2007. Accordingly, the Trustee-Manager received a total of 1,270,933 HWT units as partial payment of its FY09 management fees and waived all its entitlement to the FY09 distribution payable in respect of these units issued to it in FY09.

Total DPU for FY09 for all unitholders except the Sponsor and Trustee-Manager increase 9% year-on-year to 5.42 Singapore cents as compared to 4.96 Singapore cents in FY08.

## UNIT PRICE PERFORMANCE

The highest and lowest HWT unit prices for FY09 were S\$0.725 and S\$0.280 respectively and the average daily trading volume was about 578,000 units.

## YIELD PERFORMANCE

HWT units were priced at S\$0.78 at the IPO. DPU in FY08 and FY09 were 4.96 Singapore cents and 5.42 Singapore cents respectively. The average annual yield based on the IPO unit price of S\$0.78 would be about 6.7%. Based on the closing unit prices on the last trading days of 2008 and 2009, the yields for FY08 and FY09 were approximately 14.0% and 7.7% respectively.

Financial Period	DPU (Singapore Cents)	Yield computed based on IPO issue price (%)	Yield computed based on closing price at the end of financial period (%)
FY08	4.96	6.4	14.0 <sup>1</sup>
FY09	5.42	7.0	7.7 <sup>2</sup>
Average Annual Yield	–	6.7	–

Note:

<sup>1</sup> The closing HWT unit price was S\$0.355 as at 31 December 2008

<sup>2</sup> The closing HWT unit price was S\$0.700 as at 31 December 2009

## OUR PORTFOLIO



Guanyun WTP

## Water Treatment Plants

Water Treatment Plants (“WTPs”) treat raw water drawn from major lakes, rivers and wells which are situated in close proximity to the WTPs, for use in their respective concession areas. The process of screening, flocculation, settling, filtration and disinfection are applied to remove suspended solids and colloids to meet water quality standards.

The degradation of water quality, due to heavy pollution, is a threat to water supply in many parts of the PRC. The PRC government is actively working on water

supply improvement programs and our WTPs are playing an active role in their respective concession areas.

Five of our plants are WTPs and they are located in Jiangsu and Hebei provinces with a total designed capacity of 180,000 m<sup>3</sup>/day or 31% of HWT’s portfolio. Yangkou WTP and Dafeng WTP produce water suitable for industrial usage only, while the remaining three WTPs supply potable water for domestic consumption.



Dafeng WTP

Location	Plant Name	Designed Capacity (m <sup>3</sup> /day)	Remaining Concession Period
Hebei	Zunhua WTP	40,000	30 years
Jiangsu	Dafeng WTP	20,000	28 years
	Guanyun WTP 1	50,000	29 years
	Guanyun WTP 2	50,000	29 years
	Yangkou WTP	20,000	26 years



Beichen WWTP

## Wastewater Treatment Plants

Wastewater Treatment Plants (“WWTPs”) treat wastewater collected from surrounding industrial and residential areas before discharging the water into the environment or routing for water recycling. Wastewater treatment is a multi-stage process to eliminate or reduce the environmental damages caused by wastewater discharged into the natural water body. The wastewater treatment process in WWTPs typically comprises screening, activated sludge treatment, sedimentation and disinfection.

In the PRC, an estimated 20 billion m<sup>3</sup> of untreated wastewater per year is discharged into the environment.

This is the primary cause of water pollution in the PRC which is now being aggressively addressed by the government and presents the biggest growth opportunity for HWT. Hence, the majority of our plants are WWTPs that are strategically located in Anhui, Hebei, Jiangsu, Liaoning, Tianjin and Zhejiang provinces.

Our WWTPs are capable of treating both industrial and domestic wastewater. Each WWTP uses tried and tested technology that is customised to meet discharge standards. The total designed capacity of our eleven WWTPs is 330,000 m<sup>3</sup>/day or 57% of HWT’s portfolio.

Location	Plant Name	Designed Capacity (m <sup>3</sup> /day)	Remaining Concession Period
Anhui	Mingguang WWTP	30,000	29 years
Hebei	Langfang WWTP	80,000	23 years
Jiangsu	Changshu WWTP	30,000	21 years
	Taizhou WWTP	20,000	17 years
	Wuxi WWTP 1	20,000	26 years
	Wuxi WWTP 2	10,000	29 years
	Yangzhou WWTP	20,000	19 years
	Yangkou WWTP	20,000	30 years
Liaoning	Liaoyang WWTP	30,000	28 years
Tianjin	Beichen WWTP	50,000	29 years
Zhejiang	Tiantai WWTP	20,000	16 years



Changshu WWTP



Langfang WRP

## Water Recycling Plants

Water Recycling Plants (“WRPs”) recycle treated wastewater discharged from WWTPs for onward distribution to industrial and residential consumers. Our WRP investments are carefully selected to maximise revenue generation and enhance HWT’s growth potential. Wastewater recycling involves taking in treated effluent from a WWTP and further removing other contaminants to a level sufficiently low for re-use. The principal process flow includes flocculation or clarification, and filtration.

Apart from surface water pollution, the PRC is also experiencing a rapid depletion of underground resources as a result of excessive exploitation of underground water. Water recycling is one of many possible measures to prevent further abuse of underground water resources and to improve water supply. Our WRPs (or WWTP with recycled output) are located in Hebei, Liaoning and Tianjin provinces with a total designed capacity of 70,000 m<sup>3</sup>/day or 12% of HWT’s portfolio.



Beichen WRP

Location	Plant Name	Designed Capacity (m <sup>3</sup> /day)	Remaining Concession Period
Hebei	Langfang WRP	40,000	23 years
Tianjin	Beichen WRP	5,000	29 years
Liaoning	Liaoyang WWTP (with recycled output)	25,000	28 years

# CORPORATE GOVERNANCE

## TRUSTEE-MANAGER'S ROLE

Hyflux Water Trust Management Pte. Ltd., as trustee-manager of Hyflux Water Trust ("Trustee-Manager"), has general powers of management over the assets of HWT for the benefits of unitholders. The Trustee-Manager's Board of Directors ("Board") and management ("Management") are committed to maintaining good corporate governance so as to protect and safeguard unitholders' interests.

The Business Trusts Act, Chapter 31A ("BTA") stipulates requirements and obligations in respect of corporate governance. The Business Trusts Regulations 2005 ("BTR") set out the requirements for, among other things, independence of Directors of the Trustee-Manager and compositions of the Board and Audit Committee ("AC") of the Trustee-Manager.

The Trustee-Manager, in addition to complying with the BTA and BTR, also observes corporate governance policies and practices in line with the Code of Corporate Governance 2005.

This report sets out the key aspects of the Trustee-Manager's corporate governance framework and practices.

## A. BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

#### *Principle 1*

*Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

Key responsibilities of the Board include:

- overall corporate governance of the Trustee-Manager;
- guiding the corporate strategy and direction of the Trustee-Manager;
- ensuring that Management exercises business leadership with integrity and enterprise;
- overseeing the proper conduct of the Trustee-Manager; and
- implementing the framework for the management of the Trustee-Manager and HWT, including the system of internal control and risk management processes.

To assist in the discharge of its responsibilities, the Board has established a number of Board Committees namely, the AC, Nominating and Remuneration Committee ("NRC") and Risk Management and Compliance Committee ("RMCC"). These committees function within clearly defined terms of references and report to the Board on a regular basis.

The Board meets at least once every quarter but more frequently if necessary, to discharge its responsibilities.

The Board has approved a system of internal control on approval limits and cheque signatories in relation to capital expenditure, investments, divestments and debt, with appropriate sub-limits delegated to management to facilitate operational efficiency.

## CORPORATE GOVERNANCE

The attendance of Board members (including past members) at the Board and Board Committee meetings for the year ended 31 December 2009 are as follows:

Director	Board	Audit Committee	Nominating and Remuneration Committee	Risk Management & Compliance Committee
Teo Kiang Kok <sup>a</sup>	3	–	1	–
Gary Kee <sup>b</sup>	3	–	–	–
Lau Wing Tat <sup>c</sup>	3	–	1	–
Sam Ong	4	4	–	2
Ivan Png	4	4	1	2
Simon Tay	4	4	1	2
John Teo <sup>d</sup>	3	3	–	–
Olivia Lum <sup>e</sup>	1	–	1	–
Chua Yong Hai <sup>f</sup>	1	–	1	–
Lai Chong Meng <sup>g</sup>	1	1	–	–
Total no. of meetings held	4	4	2	2

**Note:**

- <sup>a</sup> Teo Kiang Kok was appointed as a Non-Independent Director on 23 April 2009.
- <sup>b</sup> Gary Kee was appointed as a Non-Independent Director on 23 February 2009.
- <sup>c</sup> Lau Wing Tat was appointed as an Independent Director on 24 April 2009.
- <sup>d</sup> John Teo was appointed as an Independent Director on 24 April 2009.
- <sup>e</sup> Olivia Lum ceased to be a Director with effect from 23 April 2009.
- <sup>f</sup> Chua Yong Hai ceased to be chairman of the Board and a Director with effect from 24 April 2009.
- <sup>g</sup> Lai Chong Meng ceased to be a Director with effect from 24 April 2009.

### BOARD COMPOSITION AND GUIDANCE

#### *Principle 2*

*There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The composition of the Board is determined using the following principles:

- at least a majority of Directors are independent from management and business relationships with the Trustee-Manager;
- at least a majority of Directors are independent from any single substantial shareholder of the Trustee-Manager;
- at least one-third of Directors are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager;

## CORPORATE GOVERNANCE

- the Chairman of the Board should be a Non-Executive Director; and
- the Board should comprise Directors with a broad range of experience, including experience in the water infrastructure industry.

The Board comprises seven Directors, four of whom are independent and two of whom are non-independent and non-executive. The CEO is a Non-Independent and Executive Director. On account of their diverse backgrounds, expertise and experience in management, accounting and finance, law, business and environment-related industries, the Directors offer extensive and diverse perspectives and views on various issues. Additionally, the segregation of roles and responsibilities between the Chairman and CEO helps to build a healthy professional relationship between the Board and Management and robust oversight of the business activities of the Trustee-Manager.

In accordance with the BTR, a Director is considered to be independent if he is independent from management and business relationships with the Trustee-Manager and with any substantial shareholder of the Trustee-Manager.

Following a review, the Board has determined that:

- a. Lau Wing Tat, Ivan Png, John Teo and Simon Tay are independent from management and business relationships with the Trustee-Manager and from the sole shareholder of the Trustee-Manager, Hyflux Ltd.
- b. Teo Kiang Kok and Gary Kee are not independent from management and business relationships with the Trustee-Manager and not independent from Hyflux Ltd:
  - (i) Teo Kiang Kok is a Director of Hyflux Ltd.
  - (ii) Gary Kee is the CEO and an employee of the Trustee-Manager, which is wholly owned by Hyflux Ltd.
- c. Sam Ong is independent from management and business relationships with the Trustee-Manager but not independent from Hyflux Ltd as he is the Hyflux Group Deputy CEO and Chief Financial Officer.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

#### *Principle 3*

*There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

The positions of Chairman and CEO are held by two Directors who are not related to each other. In addition to the overall management of the Board, the Chairman is also responsible for ensuring that members of the Board and Management work together with integrity and competency and engage constructively on strategy, business operations, enterprise risks and other aspects of the business of HWT. The CEO has responsibility over the business direction and operational decisions of the Trustee-Manager. The separate and distinct roles and division of responsibilities of the two positions ensure a balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making.

# CORPORATE GOVERNANCE

## BOARD MEMBERSHIP AND BOARD PERFORMANCE

### *Principle 4*

*There should be a formal and transparent process for the appointment of new directors to the Board.*

### *Principle 5*

*There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

The NRC, of which the chairman and the majority of members are independent, comprises:

Lau Wing Tat	(Chairman of NRC, Independent Director)
Teo Kiang Kok	(Non-Independent Director)
Simon Tay	(Independent Director)

The duties of the NRC include, among other things:

- reviewing and assessing candidates for directorships (including executive directorships) and making recommendations to the Board, in accordance with the established process for the appointment of directors;
- determining annually whether or not a Director is independent in the manner provided in the Code of Corporate Governance 2005;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- recommending the remuneration package for each director and the CEO; and
- reviewing the remuneration of Management.

The NRC has adopted a set of board performance appraisal criteria which has been endorsed by the Board. The performance evaluation exercise enables the NRC to assess the Board's effectiveness. A review of the Board's performance is undertaken by way of an assessment checklist completed individually by each Director, through which the Director assesses the effectiveness of the Board as a whole. The collated findings are reported and where appropriate, recommendations are made to the Board on how it can discharge its duties more effectively.

Following a review, the NRC has determined, for the purposes of and in accordance with the Code of Corporate Governance 2005, that save for Teo Kiang Kok, Sam Ong and Gary Kee, the other directors are independent:

- (i) Teo Kiang Kok is a Director of Hyflux Ltd.
- (ii) Gary Kee is the CEO and an employee of the Trustee-Manager.
- (iii) Sam Ong is the Hyflux Group Deputy CEO and Chief Financial Officer.

# CORPORATE GOVERNANCE

## **ACCESS TO INFORMATION AND ACCOUNTABILITY**

### *Principle 6*

*In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

### *Principle 7*

*The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

Board members have separate and independent access to Management, the Company Secretary of the Trustee-Manager, and the external and internal auditors at all times. The Company Secretary attends and prepares minutes for all Board and Board Committee meetings and assists the Board in compliance with relevant legal and statutory requirements and internal policies and procedures.

Board members are kept updated and informed of matters and issues concerning HWT and the Trustee-Manager on an on-going basis. Budget variance analyses and comprehensive quarterly and half-yearly financial statements are also provided and discussed quarterly at Board meetings.

Directors, either individually or as a group, have the right to seek independent professional advice where necessary, to assist them in discharging their duties. The cost of such services is borne by the Trustee-Manager.

The Board is responsible for providing a balanced and comprehensive assessment of HWT's performance, position and prospects when presenting interim and other price sensitive public reports.

## **B. REMUNERATION MATTERS**

### **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

#### *Principle 8*

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

### **LEVEL AND MIX OF REMUNERATION**

#### *Principle 9*

*The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

# CORPORATE GOVERNANCE

## **DISCLOSURE ON REMUNERATION**

### *Principle 10*

*Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

The remuneration of Non-Executive Directors is based on a framework of fixed basic fees plus additional fees for serving on Board committees. No Director is involved in the determination of his own remuneration.

Directors' fees are approved by the shareholder of the Trustee-Manager and are paid on a semi-annual basis. All Non-Executive Directors' fees and remuneration of the CEO and staff of the Trustee-Manager are paid by the Trustee-Manager, not by HWT. Sam Ong, being the Hyflux Group Deputy CEO and Chief Financial Officer and Gary Kee, being the CEO of HWT, are not paid any Director's fee. For the year ended 31 December 2009, no individual Director's fee was in excess of S\$250,000.

Appropriate levels of remuneration have been set to attract, retain and motivate the CEO and staff of the Trustee-Manager and consist of both fixed and variable components, taking into account the performance of the individual and the Trustee-Manager.

No compensation was paid in the form of options in units or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

There were no immediate family members of Directors or controlling shareholder in the employment of the Trustee-Manager and whose remuneration exceeded S\$150,000 during the year ended 31 December 2009.

## **C. INTERNAL CONTROL AND AUDIT**

### **AUDIT COMMITTEE, INTERNAL CONTROLS AND INTERNAL AUDIT**

#### *Principle 11*

*The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

#### *Principle 12*

*The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

# CORPORATE GOVERNANCE

## ***Principle 13***

*The company should establish an internal audit function that is independent of the activities it audits.*

The AC, of which the chairman and the majority of members are independent, comprises:

John Teo	(Chairman of AC, Independent Director)
Ivan Png	(Independent Director)
Simon Tay	(Independent Director)
Sam Ong	(Non-Independent Director)

The role of the AC is to monitor and evaluate the effectiveness of the Trustee-Manager's internal controls. The AC reviews the quality and reliability of information in financial reports, nominates the external auditors for the Board's approval and reviews the adequacy of external audits in respect of cost, scope and performance.

The AC also reviews the independence and objectivity of the external auditors, KPMG LLP ("KPMG"), and the nature and extent of the non-audit services rendered to HWT by them.

Subsidiaries of HWT have been independently reviewed but not audited by KPMG. Pursuant to Rule 716 of the SGX-ST Listing Manual, the Board and AC are satisfied that appointing different auditors for these subsidiaries have not affected the overall standard and effectiveness of the audits of the Trustee-Manager and HWT and its subsidiaries ("Group").

In performing its functions, the AC reviews the overall scope of external audits and the assistance given by Management to the auditors. It meets the external auditors without the presence of Management regularly to discuss the scope and results of their audits. In addition, the AC reviews the financial statements of HWT before they are submitted to the Board for approval.

Changes to regulations and accounting standards are monitored closely by the AC. To keep pace with regulatory changes, where these changes have an important bearing on the Trustee-Manager or Directors' disclosure obligations, the Directors will be briefed during Board meetings, by relevant professionals where necessary. Management also provides regular updates to the Board on financial results, market trends and business developments.

The Trustee-Manager has engaged Ethos Advisory Pte Ltd as internal auditors. The internal auditors review and determine whether internal controls are adequate and functioning in a manner to provide reasonable assurance on the following:

- integrity, confidentiality and availability of critical financial, managerial and operating information;
- effectiveness and efficiencies of operations;
- safeguarding of assets; and
- compliance with policies, standards, procedures, applicable laws and regulations.

## CORPORATE GOVERNANCE

The internal auditors report directly to the Chairman of the AC on all internal audit matters. The AC reviews the overall scope of internal audits and discusses the results with the internal auditors regularly without the presence of Management. The AC is satisfied with the adequacy of the Trustee-Manager's internal controls established by Management.

The AC also reviews interested person transactions (discussed further below in the section on Interested Person Transactions in Section E – Additional Information), hedging policies and internal policies and procedures.

The AC has reviewed and implemented a Whistle-Blowing Policy to provide a trusted avenue for employees of the Group, who believe that they may have discovered malpractice or impropriety in the workplace, to come forward and report such issues in confidence.

### **D. COMMUNICATIONS WITH UNITHOLDERS**

#### *Principle 14*

*Companies should engage in regular, effective and fair communication with shareholders.*

#### *Principle 15*

*Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Trustee-Manager is committed to prompt disclosures of pertinent and relevant information to unitholders.

Quarterly and full year results, distribution notices, press releases, analysts briefing presentations, announcements on acquisitions, results of general meetings and other major developments are announced through the SGXNet. Information on HWT can also be found on the website [www.hyfluxwatertrust.com](http://www.hyfluxwatertrust.com).

Management meets up with analysts, institutional investors and fund managers regularly throughout the year to communicate business performance and development and obtain views and feedback as part of efforts to promote awareness of and interest in HWT.

All unitholders (save for investors who purchase units with Central Provident Fund monies), will receive HWT annual reports and notices of general meetings. At general meetings, unitholders are entitled to participate in the question and answer sessions with the Board and vote on resolutions.

### **E. ADDITIONAL INFORMATION**

#### **RISK MANAGEMENT AND COMPLIANCE COMMITTEE**

The RMCC, of which the chairman and the majority of members are independent, comprises:

Simon Tay	(Chairman of RMCC, Independent Director)
Ivan Png	(Independent Director)
Sam Ong	(Non-Independent Director)

## CORPORATE GOVERNANCE

The RMCC's responsibilities include, among other things:

- monitoring compliance with applicable laws and regulations, including the BTA, HWT Trust Deed, SGX-ST Listing Manual and Code of Corporate Governance 2005;
- reviewing the management of environmental, operational, business continuity and other risks that the Group is facing or may face; and
- reviewing regular updates from Management and the Company Secretary on compliance matters.

The RMCC is satisfied that the Trustee-Manager has adequate risk management policies and systems in place.

The Trustee-Manager also engages the services of and obtains advice from professional advisers and consultants from time to time in relation to matters such as acquisitions, capital raising, interested person transactions and compliance with the relevant legislations.

### **DEALING IN SECURITIES**

The Trustee-Manager has its own internal compliance code based on the SGX-ST Listing Manual. Directors and officers of the Trustee-Manager as well as the Trustee-Manager in its personal capacity as a private limited company, have been advised not to deal in the units of HWT on short-term considerations or during the period commencing two weeks or one month before the announcement of HWT's quarterly or full year results respectively, or if they are in possession of material unpublished, price sensitive information of HWT. In addition, the Directors and officers are expected to observe laws relating to insider trading at all times, declare all their dealings in the units of HWT and confirm annually that they have complied with the internal compliance code.

### **INTERESTED PERSON TRANSACTIONS**

On 4 September 2008, HWT obtained unitholders' approval for HWT, its subsidiaries and associated companies that are "entities at risk" ("EAR Group"), as the term is used in Chapter 9 of the SGX-ST Listing Manual, or any of them, to enter into Interested Person Transactions ("IPTs") as described in the circular to unitholders dated 15 August 2008 ("IPT Mandate"). Such transactions, if entered into, are to follow the review procedures set out in the IPT Mandate.

Unitholders approved the renewal of the IPT Mandate at the last Annual General Meeting on 23 April 2009, which remains in force until the next Annual General Meeting.

Given that such IPTs are expected to occur with some degree of frequency and may arise at any time and to allow the EAR Group to undertake such transactions in an expeditious manner, unitholders' approval will be sought at the next Annual General Meeting to renew the IPT Mandate.

For IPTs that are not conducted under the IPT Mandate, the Trustee-Manager adopts a review procedure similar in principle to that set out in the IPT Mandate, to ensure that all such transactions are conducted on normal commercial terms and are not prejudicial to the interests of HWT or its unitholders. The Trustee-Manager maintains registers to record all IPTs which are incorporated in the internal audit plan that is reported to and reviewed by the AC to ensure that IPTs comply with established internal procedures as well as the provisions of the SGX-ST Listing Manual and BTA. The IPTs are also reviewed by the internal auditors, whose reports are submitted to the AC on a semi-annual basis. The AC reviews the internal audit reports to assess if the established review procedures to monitor IPTs are complied with.

## CORPORATE GOVERNANCE

For the reported financial year ended 31 December 2009, there were no material contracts that were not in the ordinary course of business, entered into by HWT or any of its subsidiary that involve the interests of the CEO, any director or controlling unitholder.

The breakdown of aggregate values of IPTs conducted both under and outside of the IPT Mandate, for the reported year is as follows:

<b>Name of Interested Person</b>	<b>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) (S\$'000)</b>	<b>Aggregate value of all interested person transactions during the financial period under review conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)</b>
Hyflux Ltd and its subsidiaries and associates:		
Engineering, Procurement and Construction	Nil	3,902
Operations and Maintenance	Nil	(596)*
Project Development	Nil	2,923

\* Includes a reduction in value of a transaction entered into before FY09.

Additional information on related parties transactions are also disclosed in the Notes to the Financial Statements, Section 25 - Related Parties.

# CORPORATE GOVERNANCE

## **STATEMENT OF POLICIES AND PRACTICES**

In accordance with Section 87 of the BTA and Regulation 20 of the BTR, the Trustee-Manager has established the following policies and practices in relation to its management and governance of HWT:

The property of HWT is properly accounted for and kept distinct from the property of the Trustee-Manager in its own capacity. Different bank accounts are maintained for the Trustee-Manager in its personal capacity and in its capacity as Trustee-Manager;

The authorised businesses of HWT as set out in its Trust Deed include investing in, selling, leasing or otherwise disposing of water-related infrastructure assets that are engaged in water treatment, clarification, purification and/or distribution, or any business, undertaking or activity associated with the operation of such assets. The Board is required to approve all acquisitions and disposals of its water-related infrastructure assets. During the reported year, HWT acquired a water-related infrastructure asset. The Trustee-Manager has not engaged in any business on behalf of HWT that is not an authorised business of HWT.

The Trustee-Manager is not engaged in any business other than managing HWT. Any potential conflict that may arise will be identified and reviewed by the Board and Management. The majority of Directors are independent from management and business relationships with the Trustee-Manager and from Hyflux Ltd, which facilitates the effective and appropriate management of any potential conflicts between the interests of the Trustee-Manager and the interests of the unitholders of HWT.

The Trustee-Manager has established review and approval procedures to ensure that IPTs entered into by HWT are undertaken on normal commercial terms and are not prejudicial to the interests of HWT and its unitholders. The established procedures are also in accordance with the applicable requirements of the SGX-ST Listing Manual and BTA. Please also see Section E – Additional Information in respect of IPTs.

The expenses payable to the Trustee-Manager in its capacity as Trustee-Manager out of HWT property are reviewed regularly and the Board is satisfied that they are appropriate and in accordance with the HWT Trust Deed.

The responsibilities of the RMCC include, among other things, monitoring the procedures in place to ensure compliance with the applicable laws and regulations, including the BTA and SGX-ST Listing Manual. Please also see Section E - Additional Information in respect of the RMCC.

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# FINANCIALS

# REPORT OF THE TRUSTEE-MANAGER OF HYFLUX WATER TRUST

The directors of Hyflux Water Trust Management Pte. Ltd., the Trustee-Manager of Hyflux Water Trust (the “Trust”) and its subsidiaries (together referred to as the “Group”), are pleased to submit this annual report to the unitholders of the Trust, together with the audited financial statements for the financial year ended 31 December 2009.

## DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are as follows:

Teo Kiang Kok (Appointed on 23 April 2009)  
Lau Wing Tat (Appointed on 24 April 2009)  
Teo Cheng Lok John (Appointed on 24 April 2009)  
Png Paak Liang Ivan  
Tay Seong Chee Simon  
Ong Eng Keang  
Kee Eng Kwee Gary

## DIRECTORS' INTERESTS

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Singapore Business Trusts Act, Chapter 31A (the “Act”), particulars of interests of directors who held office at the end of the financial year in units, debentures or unit options of the Trust are as follows:

	Direct Interest		Deemed Interest	
	As at 1.1.2009/ date of appointment	As at 31.12.2009	As at 1.1.2009/ date of appointment	As at 31.12.2009
Png Paak Liang Ivan	190,000	190,000	–	–
Teo Kiang Kok	200,000	200,000	–	–

Neither at the end of, nor at any time during the financial year, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of the Trust.

During the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Trust or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in the corporate governance statement.

There were no changes in any of the above mentioned interest in the Trust between the end of the financial year and 21 January 2010.

# REPORT OF THE TRUSTEE-MANAGER OF HYFLUX WATER TRUST

## UNIT OPTIONS

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in the Trust; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of the Trust.

As at the end of the financial year, there were no unissued units of the Trust under option.

## AUDIT COMMITTEE

The members of the Audit Committee during the financial year and as at the date of this report are:

Teo Cheng Lok John	(Chairman of Audit Committee, Independent director)
Png Paak Liang Ivan	(Independent director)
Tay Seong Chee Simon	(Independent director)
Ong Eng Keang	(Non-independent, non-executive director)

The Audit Committee carried out its function in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations and the SGX Listing Manual.

The Audit Committee has held 4 meetings for the financial year ended 31 December 2009. In performing its functions, the Audit Committee met with the Trust's external and internal auditors to discuss the scope and results of their audit and evaluation of the Group's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Trustee-Manager's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Trust prior to their submission to the Board of Directors of the Trustee-Manager; and
- interested person transactions, hedging policies and internal policies and procedures.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer of the Trustee-Manager to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors, the nomination of Messrs KPMG LLP for re-appointment as auditors of the Trust at the forthcoming Annual General Meeting of the unitholders.

# REPORT OF THE TRUSTEE-MANAGER OF HYFLUX WATER TRUST

## **AUDITORS**

The auditors, KPMG LLP, have expressed their willingness to accept appointment.

For and on behalf of the Board of Directors of the Trustee-Manager

**Teo Kiang Kok**

Director

**Kee Eng Kwee Gary**

Director

Singapore

12 March 2010

## STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the financial statements set out on pages 44 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Trust as at 31 December 2009 and the results, changes in unitholders' funds and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Business Trusts Act, Chapter 31A and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due.

With respect to the consolidated income statement of the Group for the year ended 31 December 2009:

- fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with the Trust Deed dated 16 November 2007;
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager

**Teo Kiang Kok**

Director

**Kee Eng Kwee Gary**

Director

Singapore

12 March 2010

## STATEMENT BY THE CHIEF EXECUTIVE OFFICER

In accordance with Section 86 of the Singapore Business Trusts Act, Chapter 31A, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

**Kee Eng Kwee Gary**  
Chief Executive Officer

Singapore  
12 March 2010

# INDEPENDENT AUDITORS' REPORT

Unitholders of Hyflux Water Trust

We have audited the accompanying financial statements of Hyflux Water Trust (the "Trust") (constituted in the Republic of Singapore pursuant to a Trust Deed dated 16 November 2007 (the "Trust Deed")) and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Trust as at 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 93.

## *Trustee-Manager's responsibilities for the financial statements*

The Trustee-Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Business Trusts Act, Chapter 31A (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the trustee-manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee-Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

## **OPINION**

In our opinion:

- (a) the consolidated financial statements of the Group and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Trust as at 31 December 2009 and the results, changes in unitholders' funds and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Trust have been properly kept in accordance with the provisions of the Act.

## **KPMG LLP**

Public Accountants and  
Certified Public Accountants

Singapore  
12 March 2010

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009

		Group		Trust	
		2009	2008	2009	2008
			Re-presented		
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Intangible assets	4	149,530	129,058	–	–
Subsidiaries	5	–	–	82,097	64,522
Financial receivables	6	155,928	145,335	–	–
Trade and other receivables	7	593	1,289	210,648	209,361
Lease prepayments	8	14,450	15,258	–	–
		<u>320,501</u>	<u>290,940</u>	<u>292,745</u>	<u>273,883</u>
<b>Current assets</b>					
Financial receivables	6	3,746	3,456	–	–
Trade and other receivables	7	29,622	26,215	4,671	552
Derivative financial instruments		31	563	31	563
Cash and cash equivalents	9	35,880	35,570	9,354	13,583
		<u>69,279</u>	<u>65,804</u>	<u>14,056</u>	<u>14,698</u>
<b>Total assets</b>		<u>389,780</u>	<u>356,744</u>	<u>306,801</u>	<u>288,581</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	10	20,352	16,711	–	–
Trade and other payables	11	220	243	–	–
Interest-bearing borrowings	12	89,583	58,159	89,583	58,159
		<u>110,155</u>	<u>75,113</u>	<u>89,583</u>	<u>58,159</u>
<b>Current liabilities</b>					
Trade and other payables	11	51,931	41,160	7,028	6,420
Corporate tax payable		680	208	141	–
		<u>52,611</u>	<u>41,368</u>	<u>7,169</u>	<u>6,420</u>
<b>Total liabilities</b>		<u>162,766</u>	<u>116,481</u>	<u>96,752</u>	<u>64,579</u>
<b>Net assets attributable to unitholders</b>		<u>227,014</u>	<u>240,263</u>	<u>210,049</u>	<u>224,002</u>
<b>Unitholders' funds</b>					
Units in issue (net of issue costs)	13	222,515	221,753	222,515	221,753
Accumulated (losses)/profits		(2,296)	5,957	(13,153)	1,720
Other components of equity	14	6,795	12,553	687	529
		<u>227,014</u>	<u>240,263</u>	<u>210,049</u>	<u>224,002</u>
<b>Net asset value per unit</b>	15	<u>0.75</u>	<u>0.80</u>	<u>0.70</u>	<u>0.75</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Note	Year ended 31/12/2009 \$'000	Group 16/11/2007 (date of constitution) to 31/12/2008 Re-presented \$'000
Operating and maintenance income		17,457	9,910
Finance income		7,159	4,793
Construction revenue		9,292	41,931
<b>Total revenue</b>		<u>33,908</u>	<u>56,634</u>
<b>Operating expenses</b>			
Construction expense		(9,292)	(41,931)
Electricity costs		(3,819)	(2,267)
Manpower costs		(1,334)	(828)
Operation and maintenance fees:			
- Chemical costs		(718)	(252)
- Maintenance costs		(1,448)	(369)
- Sludge treatment fee		(802)	(536)
Management services fee		(863)	(217)
Amortisation		(2,501)	(1,626)
Other operating expenses		(1,755)	(818)
<b>Total operating expenses</b>		<u>(22,532)</u>	<u>(48,844)</u>
<b>Net operating income</b>		11,376	7,790
Trustee-Manager's management fee		(842)	(557)
Other trust expenses	16	(484)	(595)
Other (expenses)/income	17	(2,080)	4,019
<b>Results from operating activities</b>		<u>7,970</u>	<u>10,657</u>
Other finance income		832	397
Other finance expense		(2,835)	(612)
<b>Net finance costs</b>	18	<u>(2,003)</u>	<u>(215)</u>
<b>Profit before income tax</b>		5,967	10,442
Income tax (expense)/credit	19	(939)	299
<b>Profit for the year/period</b>		<u>5,028</u>	<u>10,741</u>
<b>Cash available for distribution for the current year/period</b>	20	<u>14,729</u>	<u>10,192</u>
<b>Earnings per unit (cents)</b>	21		
Basic		1.67	3.58
Diluted		<u>1.67</u>	<u>3.58</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	<b>Year ended 31/12/2009</b>	<b>Group 16/11/2007 (date of constitution) to 31/12/2008</b>
	\$'000	\$'000
<b>Profit for the year/period</b>	5,028	10,741
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	(6,531)	11,699
Effective portion of changes in fair value of cash flow hedges	–	529
Net change in fair value of cash flow hedges transferred to profit or loss	(529)	–
<b>Other comprehensive income for the year/period, net of income tax</b>	<u>(7,060)</u>	<u>12,228</u>
<b>Total comprehensive income for the year/period attributable to Unitholders</b>	<u>(2,032)</u>	<u>22,969</u>

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS

Group	Attributable to unitholders						Total \$'000
	Units in issue	Foreign currency translation reserve	Hedging reserve	Statutory reserve	Capital reserve	Accumulated profits/ (losses)	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
On 16 November 2007 (date of constitution)	–	–	–	–	–	–	–
<b>Total comprehensive income for the period</b>							
Profit or loss	–	–	–	–	–	10,741	10,741
<b>Other comprehensive income</b>							
Foreign currency translation differences for foreign operations	–	11,699	–	–	–	–	11,699
Effective portion of changes in fair value of cash flow hedges	–	–	529	–	–	–	529
<b>Total comprehensive income for the period</b>	–	11,699	529	–	–	10,741	22,969
<b>Transactions with unitholders, recorded directly in equity</b>							
<b>Contributions by and distributions to unitholders</b>							
Proceeds from units issued	234,000	–	–	–	–	–	234,000
Units issue costs (note 13)	(12,247)	–	–	–	–	–	(12,247)
Distributions to unitholders	–	–	–	–	–	(4,459)	(4,459)
<b>Total transactions with unitholders</b>	221,753	–	–	–	–	(4,459)	217,294
Transfers	–	–	–	325	–	(325)	–
<b>At 31 December 2008</b>	221,753	11,699	529	325	–	5,957	240,263

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS (cont'd)

Group	Attributable to unitholders						Total \$'000
	Units in issue	Foreign currency translation reserve	Hedging reserve	Statutory reserve	Capital reserve	Accumulated profits/ (losses)	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
On 1 January 2009, as previously stated	221,753	11,699	529	325	–	6,171	240,477
Effect of finalisation of provisional goodwill (note 26)	–	–	–	–	–	(214)	(214)
On 1 January 2009, as restated	221,753	11,699	529	325	–	5,957	240,263
<b>Total comprehensive income for the year</b>							
Profit or loss	–	–	–	–	–	5,028	5,028
<b>Other comprehensive income</b>							
Foreign currency translation differences for foreign operations	–	(6,531)	–	–	–	–	(6,531)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	(529)	–	–	–	(529)
<b>Total comprehensive income for the year</b>	–	(6,531)	(529)	–	–	5,028	(2,032)
<b>Transactions with unitholders, recorded directly in equity</b>							
<b>Contributions by and distributions to unitholders</b>							
Distributions to unitholders	–	–	–	–	–	(12,666)	(12,666)
Units issued and to be issued as payment of Trustee-Manager's management fees	762	–	–	–	–	–	762
Adjustments pursuant to the Deed of Undertaking	–	–	–	–	687	–	687
<b>Total transactions with unitholders</b>	762	–	–	–	687	(12,666)	(11,217)
Transfers	–	–	–	615	–	(615)	–
<b>At 31 December 2009</b>	<b>222,515</b>	<b>5,168</b>	<b>–</b>	<b>940</b>	<b>687</b>	<b>(2,296)</b>	<b>227,014</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	Year ended 31/12/2009 \$'000	Group 16/11/2007 (date of constitution) to 31/12/2008 Re-presented \$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		5,967	10,442
Adjustments for:			
Allowance for doubtful debts		142	–
Amortisation		2,501	1,626
Construction revenue		(9,292)	(41,931)
Unrealised foreign exchange loss/(gain)		2,018	(2,519)
Negative goodwill on acquisition of subsidiaries		–	(1,327)
Net finance costs		2,003	215
Trustee-Manager's management fees paid/payable in units	(a)	762	–
		<u>4,101</u>	<u>(33,494)</u>
Change in trade and other receivables		(2,470)	(15,646)
Change in trade and other payables		10,136	(9,078)
<b>Cash generated from/(used in) operating activities</b>		<u>11,767</u>	<u>(58,218)</u>
Tax paid		(994)	(211)
<b>Net cash from/(used in) operating activities</b>		<u>10,773</u>	<u>(58,429)</u>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	22	(26,666)	(183,119)
Interest received		45	397
<b>Net cash used in investing activities</b>		<u>(26,621)</u>	<u>(182,722)</u>
<b>Cash flows from financing activities</b>			
Distribution to unitholders		(12,666)	(4,459)
Finance costs paid		(2,240)	(229)
Interest income received pursuant to the interest rate swaps		837	–
Payment of issue costs		–	(12,247)
Proceeds from interest-bearing borrowings		31,000	59,102
Proceeds from units issued		–	234,000
<b>Net cash from financing activities</b>		<u>16,931</u>	<u>276,167</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	Year ended 31/12/2009 \$'000	Group 16/11/2007 (date of constitution) to 31/12/2008 Re-presented \$'000
<b>Net increase in cash and cash equivalents</b>		1,083	35,016
<b>Cash and cash equivalents at beginning of the year/period</b>		35,570	–
<b>Effect of exchange rate fluctuations</b>		(773)	554
<b>Cash and cash equivalents at end of the year/period</b>	9	35,880	35,570

(a) Significant non-cash transaction

711,152 units were issued to the Trustee-Manager as partial payment of the Trustee-Manager's management fees, which amounted to \$370,000, for the period from 1 January 2009 to 30 June 2009. This is based on a unit price of \$0.52, which represents the volume weighted average price of the Trust units traded on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the last 15 trading days of the said period ended on 30 June 2009.

559,781 units were issued on 10 March 2010 to the Trustee-Manager as partial payment of the Trustee-Manager's management fees, which amounted to \$392,000 for the period from 1 July 2009 to 31 December 2009. This is based on a unit price of \$0.70, which represents the volume weighted average price of the Trust units traded on SGX-ST over the last 15 trading days of the said period ended 31 December 2009.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Trustee-Manager on 12 March 2010.

## 1 DOMICILE AND ACTIVITIES

Hyflux Water Trust (“the Trust”) is a Singapore-domiciled business trust established pursuant to the Trust Deed dated 16 November 2007 (the “Trust Deed”) with Hyflux Water Trust Management Pte. Ltd. (the “Trustee-Manager”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust in trust for the unitholders.

The Trust was formally admitted to the Official List of the SGX-ST on 3 December 2007.

The principal activity of the Trust is investment holding. The principal activities of the subsidiaries are those relating to investment in, either directly or indirectly, water-related infrastructure assets, including water treatment plants (“WTP”), waste water treatment plants (“WWTP”) and water recycling plants (“WRP”).

The consolidated financial statements relate to the Trust and its subsidiaries (together referred to as the “Group”).

The Trust Deed provides the following fees payable to the Trustee-Manager:

### *Management Fee*

The Trustee-Manager is entitled to receive a management fee based on the adjusted earnings before interest, tax, depreciation and amortisation per unit (“Adjusted EBITDA per Unit” as defined in the Trust Deed) of the Trust, which directly reflects the operating performance of the Trust’s portfolio of assets. The management fee is calculated based on a tiered structure in accordance with the following formula:

- (a) if the Adjusted EBITDA per Unit is more than \$0 but equal to or less than \$0.0750, the management fee will be 5% of the Adjusted EBITDA per Unit, multiplied by the number of Units in issue as at the end of each period (“Semi-Annual Period”) ending on 30 June and 31 December;
- (b) if the Adjusted EBITDA per Unit is more than \$0.0750 but equal to or less than \$0.1000, the management fee will be the sum of: (i) 5% of the Adjusted EBITDA per Unit (up to and including \$0.0750); and (ii) 10% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.0750 (but up to and including \$0.1000), multiplied by the number of Units in issue as at the end of the relevant Semi-Annual Period;
- (c) if the Adjusted EBITDA per Unit is more than \$0.1000 but equal to or less than \$0.1250, the management fee will be the sum of: (i) 5% of the Adjusted EBITDA per Unit (up to and including \$0.0750); (ii) 10% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.0750 (but up to and including \$0.1000); and (iii) 15% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.1000 (but up to and including \$0.1250), multiplied by the number of Units in issue as at the end of the relevant Semi-Annual Period;

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 1 DOMICILE AND ACTIVITIES (cont'd)

### *Management Fee (cont'd)*

- (d) if the Adjusted EBITDA per Unit is more than \$0.1250 but equal to or less than \$0.1500, the management fee will be the sum of: (i) 5% of the Adjusted EBITDA per Unit (up to and including \$0.0750); (ii) 10% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.0750 (but up to and including \$0.1000); (iii) 15% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.1000 (but up to and including \$0.1250); and (iv) 22.5% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.1250 (but up to and including \$0.1500), multiplied by the number of Units in issue as at the end of the relevant Semi-Annual Period;
- (e) if the Adjusted EBITDA per Unit is more than \$0.1500, the Management fee will be the sum of: (i) 5% of the Adjusted EBITDA per Unit (up to and including \$0.0750); (ii) 10% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.0750 (but up to and including \$0.1000); (iii) 15% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.1000 (but up to and including \$0.1250); (iv) 22.5% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.1250 (but up to and including \$0.1500); and 30% of the amount by which the Adjusted EBITDA per Unit exceeds \$0.1500, multiplied by the number of Units in issue as at the end of the relevant Semi-Annual Period.

The Trustee-Manager may elect to receive all or any part of the management fee in units instead of cash.

Any change in the structure of the management fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

### *Other fees*

Pursuant to the Trust Deed, the Trustee-Manager is entitled to the following:

- An acquisition fee amounting to 0.75% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the Enterprise Value (as defined in the Trust Deed) of investments where Hyflux Ltd (the "Sponsor") has direct or indirect interests of more than 50% in any investments acquired directly or indirectly by the Trust. For other investments, the Trustee-Manager is entitled to an acquisition fee amounting to 1.25% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the Enterprise Value of these investments acquired directly or indirectly by the Trust.
- No acquisition fee is payable on the acquisition (whether directly or indirectly) of the initial portfolio of plants.
- A divestment fee amounting to 0.50% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the Enterprise Value of any investments sold or divested directly or indirectly by the Trust.
- In the case of an acquisition or divestment of an equity share or interest of less than 100%, the above definition of Enterprise Value will be applied proportionately to both Equity and Net Debt (as defined in the Trust Deed).

The Trustee-Manager may elect to receive all or any part of the acquisition fee and divestment fee in units instead of cash.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- derivative financial instruments are measured at fair value

### 2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Trust’s functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires the Trustee-Manager to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following note:

- Note 23 - valuation of financial instruments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3.4 - valuation of financial assets and intangible assets relating to service concession arrangements
- Note 4 - assumptions of recoverable amounts relating to goodwill impairment
- Note 22 - valuation of assets, liabilities and contingent liabilities acquired in business combinations

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 2 BASIS OF PREPARATION (cont'd)

### 2.5 Changes in accounting policies

#### *Overview*

Starting as of 1 January 2009 on adoption of new/revised FRSs, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements

#### *Determination and presentation of operating segments*

As of 1 January 2009, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 108 Operating Segments. Previously operating segments were determined and presented in accordance with FRS 14 Segment Reporting. The new accounting policy in respect of operating segment disclosures is presented as follows.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on the cash available for distribution.

#### *Presentation of financial statements*

The Group applies revised FRS 1 Presentation of Financial Statements (2008), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in unitholders' funds all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the cash available for distribution.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

Certain comparative amounts have been re-presented in respect of finalisation of provisional goodwill (see note 26).

### 3.1 Consolidation

#### *Business combinations*

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### *Accounting for subsidiaries*

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

### 3.2 Foreign currency

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.2 Foreign currency (cont'd)

#### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

### 3.3 Financial instruments

#### *Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including financial receivables (see note 3.4).

Cash and cash equivalents comprise cash balances and bank deposits.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.3 Financial instruments (cont'd)

#### *Non-derivative financial liabilities*

The Group initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: interest-bearing borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

#### *Derivative financial instruments, including hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80%-125%.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.3 Financial instruments (cont'd)

#### *Derivative financial instruments, including hedge accounting (cont'd)*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### *Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in unitholders' funds remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in unitholders' funds is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in unitholders' funds is transferred to profit or loss in the same period that the hedged item affects profit or loss.

#### *Other non-trading derivatives*

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

### 3.4 Service Concession Arrangements

Interpretation of Financial Reporting Standard ("INT FRS") 112 *Service Concession Arrangements* requires the recognition of construction revenue and the corresponding financial receivable and/or intangible asset for public-to-private service concession arrangement if:

- the party that grants the service arrangement (the "grantor") controls or regulates what services the entity (the "operator") must provide with the infrastructure asset, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure asset at the end of the term of the arrangement.

The subsidiaries of the Group have entered into concession arrangements with the various governing bodies or agencies of the government of the People's Republic of China ("PRC") (the "grantors") to supply treated water from WTPs, and operate WWTPs and WRPs. Under the concession arrangements, the Group will construct and/or operate the plants for concession periods of between 20 to 30 years and transfer the plants to the grantors at the end of the concession periods. Such concession arrangements fall within the scope of INT FRS 112. Under INT FRS 112, the revenue for the construction services provided under the arrangements and the corresponding financial receivables and/or intangible assets arising are recognised based on the percentage of completion method during the construction phase (see note 3.9).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## **3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **3.4 Service Concession Arrangements (cont'd)**

#### *Recognition of financial receivables*

The Group recognises a financial receivable if it has a unconditional contractual right under the concession agreements to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plants.

The financial receivable is measured at fair value upon initial recognition. Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the financial receivable, which will be used to reduce the carrying amount of the financial receivable on its statements of financial position, (ii) interest income, which will be recognised as finance income in profit or loss and (iii) revenue from operating and maintaining the plants in profit or loss (see note 3.9).

#### *Recognition of intangible assets*

The Group recognises an intangible asset if it does not have any contractual right under the concession agreements to receive a fixed and determinable amount of payments during the service concession period. The intangible asset is recognised to the extent that the Group has a right to charge fees for the usage of the plants.

An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses. The intangible assets is amortised over the concession period from commencement of the operations of the plants.

### **3.5 Lease prepayments**

Lease prepayments relate to payments made for land use rights and are charged to profit or loss on a straight-line basis over the lease term ranging from 20 to 30 years.

### **3.6 Intangible assets**

#### *Goodwill*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment (see note 3.7). Negative goodwill is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.6 Intangible assets (cont'd)

#### *Concession rights*

Concession rights are stated at cost less accumulated amortisation and impairment losses. Concession rights are amortised in the income statement on a straight-line basis over the concession periods (defined as the period stipulated in the concession agreement between a subsidiary/special purpose company and an administrative authority for which the subsidiary/special purpose company is granted the right to own and operate the plant) ranging from 20 years to 30 years.

### 3.7 Impairment

#### *Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.7 Impairment (cont'd)

#### *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.8 Units in issue

Units in issue are classified as equity in the unitholders' funds.

Units issue costs represent expenses incurred in connection with the issue of units. All such expenses are deducted directly from unitholders' funds.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.9 Revenue recognition

#### *Construction revenue*

Construction revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, construction revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, construction revenue is recognised only to the extent of construction costs incurred that are likely to be recoverable. An expected loss on a construction contract is recognised immediately in profit or loss.

#### *Operating and maintenance income*

Revenue derived from the provision of operating and maintenance services is recognised upon rendering of services.

#### *Finance income*

Finance income represents the interest income on the financial receivable recognised in respect of the construction services in accordance with INT FRS 112. Finance income is recognised in profit or loss using the effective interest method.

### 3.10 Government grants

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### 3.11 Other finance income and costs

Other finance income comprises interest income on bank deposits and gains on hedging instruments that are recognised in profit or loss. Interest income on bank deposits is recognised as it accrues in profit or loss, using the effective interest method.

Other finance costs comprises interest expense on borrowings, amortisation of transaction costs on credit facility and commitment fee on the credit facility. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.12 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Trust is exempted from Singapore income tax under Section 13(12) of the Income Tax Act on the following sources of income:

- (a) foreign-sourced dividends received/receivable in Singapore; and
- (b) foreign-sourced interest income received/receivable in Singapore

by the Trust from its subsidiaries and which originate from underlying profits derived from carrying out water purification and treatment businesses in the PRC.

This exemption is granted based on certain conditions, including the condition that the Trustee-Manager is a tax resident of Singapore for the year of assessment relating to the basis period during which the foreign-sourced income is received in Singapore.

The tax exemption also applies to dividends payable by these subsidiaries out of gains, if any, derived from the disposal of their shares in its subsidiaries in the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## **3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **3.13 Earnings per unit**

The Group presents basic and diluted earnings per unit (EPU) data for its units. Basic EPU is calculated by dividing the profit or loss attributable to unitholders of the Trust by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of units outstanding, for the effects of all dilutive potential units.

### **3.14 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

There is only one reportable segment as the Group's operations relate to water treatment business. No geographical information has been prepared as the Group's operations are located only in the PRC. The Group receives water tariffs primarily from the PRC Administrative Authority pursuant to long-term concession agreements.

### **3.15 New standards and interpretations not yet adopted**

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2009 have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 4 INTANGIBLE ASSETS

Group	Goodwill on consolidation \$'000	Concession rights \$'000	Total \$'000
<b>Cost</b>			
At 16 November 2007 (date of constitution)	–	–	–
Acquisitions through business combinations	15,465	83,183	98,648
Additions	–	24,628	24,628
Effects of movements in exchange rates	1,069	5,998	7,067
At 31 December 2008	16,534	113,809	130,343
Acquisitions through business combinations	4,434	17,605	22,039
Additions	–	4,510	4,510
Effects of movements in exchange rates	(479)	(3,758)	(4,237)
At 31 December 2009	20,489	132,166	152,655
<b>Accumulated amortisation</b>			
At 16 November 2007 (date of constitution)	–	–	–
Amortisation charge for the period	–	(1,232)	(1,232)
Effects of movements in exchange rates	–	(53)	(53)
At 31 December 2008	–	(1,285)	(1,285)
Amortisation charge for the year	–	(1,936)	(1,936)
Effects of movements in exchange rates	–	96	96
At 31 December 2009	–	(3,125)	(3,125)
<b>Carrying amounts</b>			
At 31 December 2008	16,534	112,524	129,058
At 31 December 2009	20,489	129,041	149,530

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 4 INTANGIBLE ASSETS (cont'd)

### *Impairment testing for CGU containing goodwill*

Goodwill is allocated to water-related infrastructure assets.

The aggregate carrying amount of goodwill allocated to each unit are as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
Water-related infrastructure assets	20,489	16,534

The recoverable amount is determined based on value-in-use calculation using discounted cashflow projections derived from the financial projections approved by Trustee-Manager. The key assumptions made are those regarding forecast period, revenue and costs, growth rates and discount rates. Cash flows were projected over twenty to thirty years in accordance with the duration of the concession agreements.

The anticipated annual revenue growth included in the cash flow projections was 5.0% (2008: 5.0%). The forecast revenue and costs, and growth rates are based on past performance of operating plants, expectations of market development as well as industry reports.

A pre-tax discount rate of 10.2% (2008: 18.0%) was applied in determining the recoverable amount of the units. The discount rate used reflects the current market assessment of the time value of money and the risks specific to the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the water industry and are based on both external and internal sources.

## 5 SUBSIDIARIES

	<b>Trust</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
Equity investments, at cost	82,097	64,522

In 2008, non-audit fees paid to auditors of the Trust amounting to \$202,000 mainly for acting as independent reporting accountants with respect to the acquisition exercise on 23 December 2008 were capitalised in equity investments.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 5 SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity held by the Group	
		2009 %	2008 %
<b>Held by the Trust</b>			
<sup>1</sup> Hyflux Utility Ltd.	British Virgin Islands	100	100
<sup>2</sup> Hyflux Utility WWT (MG) Limited	Hong Kong	100	100
<sup>2</sup> Hyflux Utility WTP (GY) Limited	Hong Kong	100	100
<sup>2</sup> Hyflux Utility (WX) Limited	Hong Kong	100	100
<sup>*2</sup> Hyflux Utility (YK) Limited	Hong Kong	100	–
<b>Held by subsidiary, Hyflux Utility Ltd.</b>			
<sup>3</sup> Hyflux NewSpring (Changshu) Co., Ltd	People's Republic of China	100	100
<sup>4</sup> Hyflux NewSpring (Taizhou) Co., Ltd	People's Republic of China	100	100
<sup>5</sup> Hyflux NewSpring (Wuxi) Co., Ltd	People's Republic of China	100	100
<sup>6</sup> Hyflux NewSpring (Tiantai) Co., Ltd	People's Republic of China	100	100
<sup>7</sup> Langfang Hyflux NewSpring Co., Ltd	People's Republic of China	100	100
<sup>8</sup> Hyflux NewSpring (Nantong) Co., Ltd	People's Republic of China	100	100
<sup>9</sup> Hyflux NewSpring (Liaoyang) Co., Ltd	People's Republic of China	100	100
<sup>10</sup> Hyflux NewSpring (Yangzhou) Co., Ltd	People's Republic of China	100	100
<sup>11</sup> Hyflux NewSpring (Dafeng) Co., Ltd	People's Republic of China	100	100
<sup>12</sup> Hyflux NewSpring (Tianjin) Co., Ltd	People's Republic of China	100	100
<sup>13</sup> Hyflux NewSpring (Zunhua) Co., Ltd	People's Republic of China	100	100
<b>Held by subsidiary, Hyflux Utility WWT (MG) Limited</b>			
<sup>14</sup> Hyflux Newspring Waste Water Treatment (Mingguang) Co., Ltd	People's Republic of China	100	100
<b>Held by subsidiary, Hyflux Utility WTP (GY) Limited</b>			
<sup>15</sup> Hyflux Newspring (Guanyun) Co., Ltd	People's Republic of China	100	100
<b>Held by subsidiary, Hyflux Utility (WX) Limited</b>			
<sup>5</sup> Hyflux Newspring Sewage Disposal (Wuxi) Co., Ltd	People's Republic of China	100	100
<b>Held by subsidiary, Hyflux Utility (YK) Limited</b>			
<sup>*8</sup> Hyflux Newspring Sewage Disposal (Rudong) Co., Ltd	People's Republic of China	100	–

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 5 SUBSIDIARIES (cont'd)

KPMG Singapore is the auditor of the Trust. The auditors of the subsidiaries are as follows:

- <sup>1</sup> Statutory audit is not required
- <sup>2</sup> Alliot, Tsoi CPA Limited
- <sup>3</sup> Jiangsu Xinrui Certified Public Accountants
- <sup>4</sup> Taizhou Xingrui Certified Public Accountants
- <sup>5</sup> Jiangsu Talent Certified Public Accountants
- <sup>6</sup> Tiantai Tianxin Certified Public Accountants Co., Ltd
- <sup>7</sup> Langfang Zhong Tai Hua Certified Public Accountants
- <sup>8</sup> Jiangsu Zhiyuan Certified Public Accountant
- <sup>9</sup> Liaoyang Jinsheng Certified Public Accountants
- <sup>10</sup> Yangzhou Xinyang Certified Public Accountants Co., Ltd
- <sup>11</sup> Yancheng Zhong Bo Hua Union CPA Firm
- <sup>12</sup> Tianjin Zhong Xing Cai Certified Public Accountants
- <sup>13</sup> Tianhwa Tangshen Certified Public Accountants
- <sup>14</sup> Lai An Shou Xin Certified Public Accountants
- <sup>15</sup> Lianyungang Zhengze Certified Public Accountants General Partnership

\* The subsidiaries were acquired on 30 June 2009. The effective interest acquired was 100%.

## 6 FINANCIAL RECEIVABLES

Financial receivables relate to receivables recognised in respect of construction services provided in accordance with INT FRS 112 as described in note 3.4.

## 7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	9,152	8,273	–	–
Deposits	24	1,451	–	–
Other receivables	3,125	2,381	33	552
Loans to subsidiaries	–	–	213,179	209,361
Amounts due from:				
- subsidiaries (non-trade)	–	–	224	–
- related parties (non-trade)	17,484	15,097	1,880	–
Loans and receivables	29,785	27,202	215,316	209,913
Prepayments	430	302	3	–
	<b>30,215</b>	<b>27,504</b>	<b>215,319</b>	<b>209,913</b>
Receivable:				
- Within 12 months	29,622	26,215	4,671	552
- After 12 months	593	1,289	210,648	209,361
	<b>30,215</b>	<b>27,504</b>	<b>215,319</b>	<b>209,913</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 7 TRADE AND OTHER RECEIVABLES (cont'd)

Loans to subsidiaries are unsecured and bear interest at 3-month USD LIBOR plus margin ranging from 2% to 4% (2008: 2% to 4%). Amounts due from subsidiaries and related parties are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are mainly governing bodies and agencies of the government of the PRC.

### *Impairment losses*

The ageing of trade receivables at the reporting date was:

Group	2009		2008	
	Gross \$'000	Impairment losses \$'000	Gross \$'000	Impairment losses \$'000
Not due	979	–	2,396	–
0 - 30 days	2,371	–	1,930	–
31 - 180 days	3,842	–	3,752	–
More than 180 days	2,063	(103)	195	–
	<u>9,255</u>	<u>(103)</u>	<u>8,273</u>	<u>–</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009 \$'000	2008 \$'000
At 1 January 2009/16 November 2007 (date of constitution)	–	–
Impairment loss recognised	142	–
Write-offs	(30)	–
Effect of foreign currency movements	(9)	–
At 31 December	<u>103</u>	<u>–</u>

The impairment loss recognised in the Group as at 31 December 2009 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are due by more than 180 days are still collectible, based on historic payment behaviour and extensive analyses of the underlying customers' credit ratings.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not due or due by up to 180 days. The receivables relate to customers that have good payment record with the Group.

The impairment loss recognised in the year is included in "other operating expenses" in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 8 LEASE PREPAYMENTS

Lease prepayments relate to payments made for land use rights and are charged to profit or loss on a straight-line basis over the lease term ranging from 20 to 30 years.

## 9 CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Trust</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	22,842	23,721	731	2,165
Fixed deposits with financial institutions	13,038	11,849	8,623	11,418
	<u>35,880</u>	<u>35,570</u>	<u>9,354</u>	<u>13,583</u>

Included in cash and cash equivalents is an amount of \$5,729,000 (2008: \$10,453,000) which relates to part of the proceeds from the initial public offering which will be used to settle the development costs incurred for the construction of certain plants.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 10 DEFERRED TAX LIABILITIES

Movements in temporary differences during the year:

Group	At 16 November 2007 (date of constitution)	Acquired in business combination (note 22)	Recognised in profit or loss (note 19)	Exchange differences	At 31 December 2008	Acquired in business combination (note 22)	Recognised in profit or loss (note 19)	Exchange differences	At 31 December 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax assets</b>									
Unutilised tax losses	–	123	256	20	399	–	(202)	(39)	158
<b>Deferred tax liabilities</b>									
Concession rights	–	(16,408)	308	(1,010)	(17,110)	(4,401)	429	572	(20,510)
Total	–	(16,285)	564	(990)	(16,711)	(4,401)	227	533	(20,352)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 10 DEFERRED TAX LIABILITIES (cont'd)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Trust	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred tax liabilities	(20,352)	(16,711)	–	–
Deferred tax assets have not been recognised in respect of the following item:				
Tax losses	3,483	228	–	–

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the country in which the subsidiaries operate. Deferred tax assets have not been recognised in respect of the item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 11 TRADE AND OTHER PAYABLES

	Group		Trust	
	2009 \$'000	2008 Re-presented \$'000	2009 \$'000	2008 \$'000
Trade payables	4,382	6,454	69	–
Other payables	3,154	1,664	913	916
Accrued expenses	8,022	8,293	22	4,829
Amounts due to subsidiaries (non-trade)	–	–	5,623	352
Amounts due to related parties (trade)	32,827	20,710	320	–
Amounts due to related parties (non-trade)	3,766	4,282	81	323
	<u>52,151</u>	<u>41,403</u>	<u>7,028</u>	<u>6,420</u>
Payable:				
- Within 12 months	51,931	41,160	7,028	6,420
- After 12 months	220	243	–	–
	<u>52,151</u>	<u>41,403</u>	<u>7,028</u>	<u>6,420</u>

Amounts due to related parties included an amount of \$399,000 (2008: \$277,000) at the Group and the Trust, which is due and payable to the Trustee-Manager.

Outstanding balances with related parties are unsecured.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 12 INTEREST-BEARING BORROWINGS

	Group		Trust	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Non-current</b>				
Secured bank loans	90,102	59,102	90,102	59,102
Less: Transaction costs in relation to credit facility	(519)	(943)	(519)	(943)
	<u>89,583</u>	<u>58,159</u>	<u>89,583</u>	<u>58,159</u>

The bank loans are secured by share mortgages of all the shares of the subsidiaries incorporated or formed to hold or own the China subsidiaries.

Under the terms of the revolving credit facility, amounts repaid prior to final maturity date may be re-borrowed and all amounts outstanding must be repaid on the final maturity date.

The secured bank loans are repayable in full on 28 February 2011.

### *Terms and debt repayment schedule*

Terms and conditions of outstanding bank loans are as follows:

Group and Trust	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
<b>2009</b>					
Secured bank loan	SGD	SGD SOR + margin *	2011	<u>90,102</u>	<u>89,583</u>
<b>2008</b>					
Secured bank loan	SGD	SGD SOR + margin *	2011	<u>59,102</u>	<u>58,159</u>

### **Note**

\* Approximately 2.0% per annum for 12 months after December 2008 and approximately 1.0% per annum thereafter.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 13 UNITS IN ISSUE (NET OF ISSUE COSTS)

	<b>Group and Trust</b>	
	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
	<b>of units</b>	<b>of units</b>
	'000	'000
<b>Fully paid units:</b>		
At 1 January 2009/16 November 2007 (date of constitution)	300,000	–
Issue of units:		
- Initial public offering	–	300,000
Trustee-Manager's management fees paid in units	711	–
At 31 December	300,711	300,000

During the year, 711,152 units were issued to the Trustee-Manager as partial payment of the Trustee-Manager's management fees, which amounted to \$370,000 for the period from 1 January 2009 to 30 June 2009. This is based on a unit price of \$0.52.

Each unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the units held, except that the Trustee-Manager will waive its entitlement to the distributions payable in respect of 2009 Fee Units (see note 20);
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- Receive audited accounts and the annual reports of the Trust.

The restrictions of a Unitholder include the following:

- a Unitholder has no right to request the Trustee-Manager to transfer to him any asset of the Trust;
- a Unitholder cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:
  - the Trust ceasing to comply with applicable laws and regulations; or
  - the exercise of any discretion expressly conferred to the Trustee-Manager by the Trust Deed.

A Unitholder's liability is limited to the amount paid or payable for any units in the Trust. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee-Manager or any creditor of the Trustee-Manager in the event the liabilities of the Trust exceed its assets.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 13 UNITS IN ISSUE (NET OF ISSUE COSTS) (cont'd)

### *Units issue costs*

Issue expenses comprise mainly professional, advisory, underwriting, printing and other costs related to the initial public offering of units. These expenses are deducted directly against the unitholders' funds.

In 2008, the issue expenses included non-audit fees paid to auditors of the Trust amounting to \$430,000 mainly for acting as independent reporting accountants with respect to the initial public offering of units in the Trust.

## 14 OTHER COMPONENTS OF EQUITY

	Group		Trust	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation reserve	5,168	11,699	–	–
Hedging reserve	–	529	–	529
Statutory reserve	940	325	–	–
Capital reserve	687	–	687	–
	<u>6,795</u>	<u>12,553</u>	<u>687</u>	<u>529</u>

### *Foreign currency translation reserve*

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

### *Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments.

### *Statutory reserve*

The statutory reserve refers to the reserve as required under the regulations of the PRC where a wholly-owned foreign enterprise must apportion 10% of its annual after tax-profit to the general reserve account until such reserve reaches 50% of the PRC company's registered capital.

### *Capital reserve*

The capital reserve comprise the amounts received from the Sponsor under the Deed of Undertaking, which was entered between the Trust and the Sponsor pursuant to the acquisition of certain plants in 2008 and 2009.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 15 NET ASSET VALUE PER UNIT

	Note	Group		Trust	
		2009	2008	2009	2008
Net asset value per unit (\$)		0.75	0.80	0.70	0.75
<u>Number of units '000</u>					
Issued units at end of year/period	13	300,711	300,000	300,711	300,000
Units to be issued as partial payment of Trustee-Manager's management fees	*	560	–	560	–
Total issued and issuable units at end of year/period		301,271	300,000	301,271	300,000

\* 559,781 units were issued to the Trustee-Manager on 10 March 2010 as partial payment of the Trustee-Manager's management fees, which amounted to \$392,000, for the period from 1 July 2009 to 31 December 2009. This is based on a unit price of \$0.70, which represents the volume weighted average price of the Trust units traded on SGX-ST over the last 15 trading days of the said period ended on 31 December 2009.

## 16 OTHER TRUST EXPENSES

Included in other trust expenses is the following item:

	Group	
	Year ended 31/12/2009	16/11/2007 (date of constitution) to 31/12/2008
	\$'000	\$'000
Paid/payable to auditors of the Trust		
- Audit fees	250	250
- Non-audit fees	7	–

## 17 OTHER (EXPENSES)/INCOME

	Group	
	Year ended 31/12/2009	16/11/2007 (date of constitution) to 31/12/2008
	\$'000	Re-presented \$'000
Foreign exchange (loss)/gain	(2,080)	2,519
Negative goodwill on acquisition of subsidiaries	–	1,327
Others	–	173
	(2,080)	4,019

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 18 NET FINANCE COSTS

	Group 16/11/2007 (date of constitution) Year ended 31/12/2009 to 31/12/2008 \$'000	\$'000
Interest income:		
- cash and cash equivalents	45	397
- interest rate swaps	787	-
<b>Other finance income</b>	<u>832</u>	<u>397</u>
Interest expense on bank borrowings	(2,273)	(229)
Amortisation of transaction costs	(452)	(383)
Commitment fee on credit facility	(110)	-
<b>Other finance expense</b>	<u>(2,835)</u>	<u>(612)</u>
<b>Net finance costs</b>	<u>(2,003)</u>	<u>(215)</u>

## 19 INCOME TAX (EXPENSE)/CREDIT

	Group 16/11/2007 (date of constitution) Year ended 31/12/2009 to 31/12/2008 Re-presented \$'000	\$'000
<b>Current tax expense</b>		
Current year/period	(317)	-
Withholding tax	(849)	(265)
	<u>(1,166)</u>	<u>(265)</u>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences (note 10)	227	564
<b>Income tax (expense)/credit</b>	<u>(939)</u>	<u>299</u>
<b>Reconciliation of effective tax rate</b>		
Profit before income tax	5,967	10,442
Income tax using the Singapore tax rate of 17% (2008: 18%)	(1,014)	(1,880)
Effect of different tax rates in other countries	682	(656)
Income not subject to tax	1,093	3,129
Deferred tax benefit not recognised	(851)	(29)
Withholding tax	(849)	(265)
	<u>(939)</u>	<u>299</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 20 CASH AVAILABLE FOR DISTRIBUTION

	Year ended 31/12/2009	Group 16/11/2007 (date of constitution) to 31/12/2008 Re-presented
	\$'000	\$'000
Cash available for distribution at the beginning of the year/period	5,733	–
Profit after income tax	5,028	10,741
Distribution adjustments (Note A)	9,701	(218)
Less: Amount relating to the period from the date of listing to 31 December 2007	–	(331)
Cash available for distribution for the current year/period	<u>14,729</u>	<u>10,192</u>
Distribution paid to unitholders during the year/period:		
For the period from 1 January 2008 to 30 June 2008		
- Distribution of 2.17 cents per unit (tax-exempt)	–	(4,459)
For the period from 1 July 2008 to 31 December 2008		
- Distribution of 2.79 cents per unit (tax-exempt)	(5,733)	–
For the period from 1 January 2009 to 30 June 2009		
- Distribution of 2.56 cents per unit (tax-exempt)	(6,933)	–
	<u>(12,666)</u>	<u>(4,459)</u>
Cash available for distribution at the end of the year/period	<u>7,796</u>	<u>5,733</u>

On 25 February 2010, the Trust declared a distribution of 2.86 cents per unit (tax-exempt) for the period from 1 July 2009 to 31 December 2009 to all unitholders save for the Sponsor and the Trustee-Manager.

The Sponsor has agreed to waive its entitlement to the distribution in respect of its units to the extent necessary for the Trust to meet the forecast distribution in respect of the initial portfolio of 13 plants to the other unitholders. The Sponsor will receive distribution of 2.03 cents per unit after the waiver.

The Trustee-Manager has waived all its entitlement to the distribution payable in respect of its 2009 Fee Units (as defined below).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 20 CASH AVAILABLE FOR DISTRIBUTION (cont'd)

### Note A

Distribution adjustments for the year/period comprise:

	2009	Group 2008 Re-presented
	\$'000	\$'000
Non-cash items:		
- Adjustments pursuant to the Deed of Undertaking	687	–
- Amortisation of intangible assets	1,936	1,232
- Amortisation of lease prepayments	565	394
- Amortisation of transaction costs on credit facility	452	383
- Deferred tax credit	(227)	(543)
- Foreign exchange loss/(gain)	2,018	(2,519)
- Negative goodwill on acquisition of subsidiaries	–	(1,327)
- Repayment of financial receivables due to INT FRS 112	3,349	1,985
- Trustee-Manager's management fees paid in units	762	–
- Others	159	177
Distribution adjustments	<u>9,701</u>	<u>(218)</u>

In 2007, the Trust retained all of its distributable cash arising during the period from 3 December 2007 to 31 December 2007 for its working capital. Accordingly, the Trust had not made any distributions to Unitholders in respect of that period.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 20 CASH AVAILABLE FOR DISTRIBUTION (cont'd)

### *Waiver and subordination arrangements*

Hyflux Water Projects Ltd (the "Sponsor SPV"), a company incorporated in the British Virgin Islands, has agreed to waive its entitlement to all distributions payable in respect of all the units held (the "Subordinated Units") in favour of the holders of all the other units.

During the period commencing from 1 January 2009 to 31 December 2009 (the "2009 Subordination Period"):

- In the event that the actual distribution per unit ("DPU") payable by the Trust to all the holders of the Units (including the Subordinated Units but excluding the 2008 Fee Units and 2009 Fee Units (as defined below)) in any distribution period in FY2009, is less than the forecast DPU of 5.26 cents, the Trustee-Manager has agreed to elect to receive its Management Fees in Units (the "2009 Fee Units") instead of cash, up to the amount of the Management Fees or the amount required to achieve the forecast DPU for FY2009, whichever is lower. The Trustee-Manager will also waive all its entitlement to the distributions payable in respect of the 2008 Fee Units and 2009 Fee Units in FY2009.
- In the event that the actual DPU payable by the Trust to all the holders of the Units in any distribution period in FY2009, notwithstanding the Trustee-Manager's election to receive the 2009 Fee Units and the waiver of the distributions on the 2008 Fee Units (if any) and the 2009 Fee Units, is less than the forecast DPU of 5.26 cents, the Sponsor SPV has agreed to subordinate and waive its entitlement to all the distributions payable in respect of the Subordinated Units in favour of the holders of all the other Units (excluding the 2008 Fee Units and 2009 Fee Units), up to the amount of the total distributions due to the Sponsor SPV for FY2009 or the amount required to achieve the forecast DPU for FY2009 of 5.26 cents, whichever is lower.
- In the event that the forecast DPU is not achieved in the first half of the 2009 Subordination Period notwithstanding the receipt of the 2009 Fee Units and the waiver of distributions on the 2008 Fee Units (if any), the 2009 Fee Units and the Subordinated Units, the shortfall between the actual DPU paid and the relevant forecast DPU will be brought forward to the next half, and the receipt of the 2009 Fee Units and waiver arrangements described above will apply to the shortfall in addition to the relevant forecast DPU for the next half, until the forecast DPU for FY2009 is achieved.
- In the event that the aggregate forecast DPU for FY2009 is not achieved in the second half of the 2009 Subordination Period notwithstanding the receipt of the 2009 Fee Units and the waiver of the distributions on the 2008 Fee Units (if any), the 2009 Fee Units and the Subordinated Units, and where any part of the Management Fees for the first half of the 2009 Subordination Period had been received by the Trustee-Manager in cash, the Trustee-Manager has agreed to receive Units in exchange for the refund of such Management Fees received in cash, up to the amount of the Management Fees received in cash in the first half of the 2009 Subordination Period or the amount required to achieve the aggregate forecast DPU for FY2009, whichever is lower.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 20 CASH AVAILABLE FOR DISTRIBUTION (cont'd)

During the period from 1 January 2008 to 31 December 2008 (the "2008 Subordination Period"):

- In the event that the DPU payable by the Trust, after giving effect to the waiver by the Sponsor SPV, in any distribution period in the current financial year is less than the forecast DPU of 4.46 cents, the Trustee-Manager has agreed to elect to receive its management fee, in units (the "2008 Fee Units") instead of cash, up to the amount of the Management Fee, or the amount required to achieve the forecast DPU for the year, whichever is lower. The Trustee-Manager will also waive all its entitlement to the distributions payable in respect of the 2008 Fee Units in the financial year.
- In the event that the forecast DPU is not achieved in the first half of the 2008 Subordination Period notwithstanding the receipt of the 2008 Fee Units and the waiver of the distributions on the 2008 Fee Units, the shortfall between the actual DPU paid and the relevant forecast DPU will be brought forward to the next half, and the receipt of the Management Fees in Units and waiver arrangements as described above will apply to the shortfall in addition to the relevant forecast DPU for the next half, until the forecast DPU for the financial year is achieved.
- In the event that the aggregate forecast DPU for the year is not achieved in the second half of the 2008 Subordination Period notwithstanding the receipt of the 2008 Fee Units and the waiver of the distributions on the 2008 Fee Units, and where any part of the management fees for the first half of the 2008 Subordination Period had been received by the Trustee-Manager in cash, the Trustee-Manager has agreed to receive units in exchange for the refund of such Management Fees received in cash, up to the amount of the management fees received in cash in the first half of the 2008 Subordination Period or the amount required to achieve the aggregate forecast DPU for the year, whichever is lower.

## 21 EARNINGS PER UNIT

The calculation of basic earnings per unit is based on weighted average number of units as at end of the year/period.

	<b>Year ended 31/12/2009</b>	<b>Group 16/11/2007 (date of constitution) to 31/12/2008 Re-presented</b>
	\$'000	\$'000
Profit for the year/period	5,028	10,741
	<b>Number of units</b>	<b>Number of units</b>
	'000	'000
Weighted average number of units:		
- outstanding during the year/period	300,185	300,000

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the year/period.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 22 ACQUISITION OF SUBSIDIARIES

- (a) On 30 June 2009, the Group acquired all the shares in Hyflux Utility (YK) Limited and its subsidiary for \$31,000,000 in cash. Hyflux Utility (YK) Limited is an investment holding company while its subsidiary owns a water-related infrastructure asset. If the acquisition had occurred on 1 January 2009, the Group's net profit will decrease by \$102,000 and revenue will increase by \$5,625,000.

The effect of acquisitions of subsidiaries was set out below:

	<b>Carrying amounts 2009 \$'000</b>	<b>Fair value adjustments 2009 \$'000</b>	<b>Recognised values 2009 \$'000</b>
Intangible assets	–	17,605	17,605
Non-current financial receivables	13,678	–	13,678
Non-current trade and other receivables	550	–	550
Financial receivables	210	–	210
Trade and other receivables	556	–	556
Cash and cash equivalents	4,644	–	4,644
Trade and other payables	(6,011)	–	(6,011)
Deferred tax liabilities	–	(4,401)	(4,401)
Shareholders' loan assumed	(13,978)	–	(13,978)
Net identifiable assets and liabilities acquired	<u>(351)</u>	<u>13,204</u>	12,853
Goodwill on acquisition of subsidiaries			4,020
Shareholders' loan and interest on shareholders' loan assumed			<u>14,437</u>
			<u>31,310</u>
Purchase consideration			31,000
Transaction costs			<u>310</u>
Total consideration			31,310
Less:			
Cash and cash equivalents of subsidiaries acquired			<u>(4,644)</u>
Cash outflow on acquisition of subsidiaries			<u>26,666</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 22 ACQUISITION OF SUBSIDIARIES (cont'd)

- (b) On 3 December 2007, the Group acquired all the shares in Hyflux Utility Ltd. and its subsidiaries for \$161,653,000 in cash. Hyflux Utility Ltd. is an investment holding company while its subsidiaries each own one or more water-related infrastructure assets. From 3 December 2007 to 31 December 2008, Hyflux Utility Ltd. and its subsidiaries contributed a net profit of \$11,851,000 to the consolidated net profit for the period.

On 23 December 2008, the Group acquired all the shares in Hyflux Utility WWT (MG) Limited, Hyflux Utility WTP (GY) Limited and Hyflux Utility (WX) Limited and the subsidiaries for \$57,000,000 in cash. If the acquisition had occurred on 16 November 2007, the Group's revenue for the period ended 31 December 2008 would have increased by \$978,000 and net profit would have decreased by \$592,000, before accounting for financing costs attributable to the acquisitions. During the period, the allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination is currently being determined and has not been completed. The provisional goodwill that results from the difference between the purchase price and the adjusted carrying amounts of the assets and liabilities acquired in Hyflux Utility WWT (MG) Limited and its subsidiary amounts to \$145,000 and is reported under intangible assets. The negative goodwill that results from the difference between the purchase price and the adjusted carrying amounts of the assets and liabilities acquired in Hyflux Utility WTP (GY) Limited and Hyflux Utility (WX) Limited and their respective subsidiaries amounts to \$1,541,000 and is reported in profit or loss.

In 2009, goodwill and negative goodwill on acquisition of subsidiaries were adjusted by \$414,000 and \$214,000 respectively. These adjustments arose from the finalisation of the provisional goodwill resulting from the abovementioned acquisition in December 2008 (see note 26).

The effect of acquisitions of subsidiaries was set out below:

	<b>Carrying amounts 2008</b>	<b>Fair value adjustments 2008</b>	<b>Recognised values 2008</b>
	\$'000	\$'000	<b>Re-presented \$'000</b>
Intangible assets	27,158	56,025	83,183
Non-current financial receivables	122,662	–	122,662
Non-current trade and other receivables	2,498	–	2,498
Non-current lease prepayments	14,610	–	14,610
Financial receivables	2,859	–	2,859
Trade and other receivables	10,507	–	10,507
Cash and cash equivalents	37,218	–	37,218
Trade and other payables	(51,846)	–	(51,846)
Deferred tax liabilities	(2,198)	(14,087)	(16,285)
Shareholders' loan assumed	(157,673)	–	(157,673)
Net identifiable assets and liabilities acquired	<u>5,795</u>	<u>41,938</u>	47,733
Goodwill on acquisition of subsidiaries			15,879
Negative goodwill on acquisition of subsidiaries			(1,327)
Shareholders' loan and interest on shareholders' loan assumed			158,052
			<u>220,337</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 22 ACQUISITION OF SUBSIDIARIES (cont'd)

	<b>Carrying amounts 2008</b>	<b>Fair value adjustments 2008</b>	<b>Recognised values 2008 Re-presented</b>
	\$'000	\$'000	\$'000
Purchase consideration			218,653
Transaction costs			1,684
Total consideration			<u>220,337</u>
Less:			
Cash and cash equivalents of subsidiaries acquired			<u>(37,218)</u>
Cash outflow on acquisition of subsidiaries			<u>183,119</u>

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values. In determining the fair value of concession rights acquired on 3 December 2007, 23 December 2008 and 30 June 2009, the Group applied the discount rates of 16%, 18% and 18% respectively to the estimated cash flows to be generated from the concession rights.

The goodwill acquired on the acquisition is attributable mainly to the projected cashflows from the subsidiaries acquired.

## 23 FINANCIAL RISK MANAGEMENT

### *Overview*

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Trustee-Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee and the Risk Management and Compliance Committee oversee how the Trustee-Manager monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Group has no significant concentration of credit risk. At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### Liquidity risk

The Trustee-Manager monitors the Group's liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management of the Trustee-Manager to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group has a revolving credit facility which allows the Group to draw up to US\$6 million (2008: US\$6 million) to fund general working capital requirements of the Trust and up to US\$60 million (2008: US\$60 million) to fund the acquisition of additional water-related infrastructure assets. The Group has an undrawn commitment of approximately US\$2 million (2008: US\$25 million) as at 31 December 2009.

The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Variable interest rate loans	89,583	(92,508)	(2,105)	(90,403)	–
Trade and other payables	52,151	(52,151)	(51,931)	–	(220)
	141,734	(144,659)	(54,036)	(90,403)	(220)
<b>Derivative financial assets</b>					
Forward foreign exchange contracts used	(31)	31	31	–	–
	141,703	(144,628)	(54,005)	(90,403)	(220)
<b>2008</b>					
<b>Non-derivative financial liabilities</b>					
Variable interest rate loans	58,159	(63,444)	(2,129)	(61,315)	–
Trade and other payables	41,403	(41,403)	(41,160)	–	(243)
	99,562	(104,847)	(43,289)	(61,315)	(243)
<b>Derivative financial assets</b>					
Interest rate swaps used for hedging	(529)	566	566	–	–
Forward foreign exchange contracts used	(34)	34	34	–	–
	(563)	600	600	–	–
	98,999	(104,247)	(42,689)	(61,315)	(243)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### Liquidity risk (cont'd)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Trust	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		More than 5 years \$'000
			Within 1 year \$'000	Within 2 to 5 years \$'000	
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Variable interest rate loans	89,583	(92,508)	(2,105)	(90,403)	–
Trade and other payables	7,028	(7,028)	(7,028)	–	–
	<u>96,611</u>	<u>(99,536)</u>	<u>(9,133)</u>	<u>(90,403)</u>	<u>–</u>
<b>Derivative financial assets</b>					
Forward foreign exchange contracts used	(31)	31	31	–	–
	<u>96,580</u>	<u>(99,505)</u>	<u>(9,102)</u>	<u>(90,403)</u>	<u>–</u>
<b>2008</b>					
<b>Non-derivative financial liabilities</b>					
Variable interest rate loans	58,159	(63,444)	(2,129)	(61,315)	–
Trade and other payables	6,420	(6,420)	(6,420)	–	–
	<u>64,579</u>	<u>(69,864)</u>	<u>(8,549)</u>	<u>(61,315)</u>	<u>–</u>
<b>Derivative financial assets</b>					
Interest rate swaps used for hedging	(529)	566	566	–	–
Forward foreign exchange contracts used	(34)	34	34	–	–
	<u>(563)</u>	<u>600</u>	<u>600</u>	<u>–</u>	<u>–</u>
	<u>64,016</u>	<u>(69,264)</u>	<u>(7,949)</u>	<u>(61,315)</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### Liquidity risk (cont'd)

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss:

Group and Trust	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
<b>2008</b>					
Interest rate swaps					
- assets	529	566	566	-	-

The interest rate swaps matured in December 2009.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

### Interest rate risk

The Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Trustee-Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group has entered into interest rate swap arrangements, denominated in Singapore dollar, to ensure that its exposure to changes in interest rates on bank loans is on a fixed rate basis.

In 2008, the Group had interest rate swaps with a total notional contract amount of \$59,101,500, whereby it paid interest at a fixed rate of 1.00% per annum on the payment date falling on or before 30 June 2009 and 4.22% per annum on all other payment dates falling after 30 June 2009 up till 31 December 2009 and received a variable rate equal to SGD SOR + margin. The Group classified these interest rate swaps as cash flow hedges. The fair value of interest rate swaps as at 31 December 2008 was \$529,000. This amount was recognised as assets in "derivative financial instruments".

In 2009, the Group had interest rate swaps with a total notional contract amount of \$90,101,500, whereby it paid interest at a fixed rate of 1.00% per annum on the payment date falling on or before 30 June 2009 and 4.22% per annum on all other payment dates falling after 30 June 2009 up till 31 December 2009 and received a variable rate equal to SGD SOR + margin. The swaps matured in December 2009.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### Sensitivity analysis

For interest rate swap accounted as a cash flow hedge and other variable rate financial assets and liabilities, a change of 100 bp in interest rate at the reporting date would increase (decrease) profit or loss and unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

At 31 December 2009	Profit or loss		Unitholders' funds	
	100 bp increase \$'000	100 bp* decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
<b>Group</b>				
Variable interest rate loans	(901)	669	–	–
<b>Trust</b>				
Variable interest rate loans	(901)	669	–	–
Amounts due from subsidiaries	2,046	(522)	–	–
	1,145	147	–	–

\* Assume lowest applicable variable interest rate is zero.

At 31 December 2008	Profit or loss		Unitholders' funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
<b>Group</b>				
Variable interest rate loans	(309)	309	–	–
Interest rate swaps	309	(309)	309	(309)
	–	–	309	(309)
<b>Trust</b>				
Variable interest rate loans	(309)	309	–	–
Interest rate swaps	309	(309)	309	(309)
Amounts due from subsidiaries	1,498	(1,498)	–	–
	1,498	(1,498)	309	(309)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### *Foreign currency risk*

The Group is exposed to foreign currency risk on operating expenses, amounts due from subsidiaries and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily Chinese Renminbi and US dollar.

The Group's and the Trust's exposures to significant foreign currencies are as follows:

Group	31 December 2009		31 December 2008	
	US dollar \$'000	Chinese Renminbi \$'000	US dollar \$'000	Chinese Renminbi \$'000
Cash and cash equivalents	13,560	–	14,463	–
Trade and other receivables	5,348	–	73	–
Trade and other payables	(799)	(23)	(665)	(49)
	<u>18,109</u>	<u>(23)</u>	<u>13,871</u>	<u>(49)</u>

Trust	31 December 2009	31 December 2008
	US dollar \$'000	US dollar \$'000
Cash and cash equivalents	406	175
Trade and other receivables	207,241	203,310
Trade and other payables	(665)	(481)
	<u>206,982</u>	<u>203,004</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### *Sensitivity analysis*

A 1% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) unitholders' funds and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Group</b>		<b>Trust</b>	
	<b>Unitholders' funds</b>	<b>Profit or loss</b>	<b>Unitholders' funds</b>	<b>Profit or loss</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2009</b>				
US dollar	–	(181)	–	(2,070)
Chinese Renminbi	–	n/m	N/A	N/A
<b>At 31 December 2008</b>				
US dollar	–	(139)	–	(2,030)
Chinese Renminbi	–	n/m	N/A	N/A

n/m denotes amount below \$1,000.  
N/A denotes not applicable.

A 1% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the unitholders' funds and profit or loss by the amounts shown above, on the basis that all other variables remain constant.

### *Capital management*

The Trustee-Manager aims to fund the growth of the Trust through a combination of debt and equity with the objective of minimising the overall cost of capital of the Trust.

The Trustee-Manager's objective in relation to capital management is to maintain a prudent financial leverage with a debt to asset (excluding goodwill) ratio of no greater than 60%, although there may be deviations from this in the short term arising from timing differences in equity and debt capital raising for new acquisitions.

The Trustee-Manager intends to diversify its sources of debt funding, and may supplement bank debt with debt from the international capital markets, and through securitisations. The Trustee-Manager believes that this would enable the Group to maintain its competitive position in the industry, improve yields, and achieve long-term stable cash distributions for Unitholders.

There were no changes in the Trust's approach to capital management during the year. The Trust and its subsidiaries are not subject to externally imposed capital requirements other than the financial covenant which the Trustee-Manager is required to comply under the credit facility and the statutory reserve as defined in note 14.

As at 31 December 2009, the Trustee-Manager has complied with the above externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 23 FINANCIAL RISK MANAGEMENT (cont'd)

### *Estimation of fair values*

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust.

### *Derivatives*

The fair value of forward foreign exchange contracts is based on their listed market price.

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

### *Non-derivative financial liabilities*

The carrying amounts of variable interest rate loans approximate fair values as the interest rates approximate the market rate of interest at the reporting date.

### *Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets are discounted to determine their fair values.

### *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>Group and Trust</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2009</b>				
Derivative financial assets	–	31	–	31

During the year, there was no transfer between instruments in level 1 and level 2.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 24 COMMITMENTS

- (a) Under the terms of a concession agreement entered into by a subsidiary, the subsidiary is obligated to expand the relevant plant's designed capacity at the request of the grantor of the concession agreement if the volume treated by the subsidiary's plant exceeds 90% of its operational capacity continuously for more than six months.
- (b) The Group entered into various construction contracts with a related party of the Trustee-Manager. The construction contracts are fixed price contracts where progressive payments are made in accordance with construction milestones, stipulated within each construction contract.

At 31 December, significant commitments for future payments under the construction contracts are as follows:

	<b>Group</b>		<b>Trust</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	–	12,651	–	–
Within 2 to 5 years	4,195	–	–	–
	<u>4,195</u>	<u>12,651</u>	<u>–</u>	<u>–</u>

## 25 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities. The Trustee-Manager is a wholly-owned subsidiary of a substantial unitholder of the Trust.

In the normal course of the operations of the Trust, management fees have been paid or are payable to the Trustee-Manager.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

## 25 RELATED PARTIES (cont'd)

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions were carried out in the normal course of business:

	<b>2009</b>	<b>Group</b>
	<b>\$'000</b>	<b>2008</b>
		<b>\$'000</b>
Amount paid/payable to related parties of the Trustee-Manager under the following contracts:		
- operations and maintenance contracts	7,666	4,069
- management services contracts	1,089	400
- construction contracts	9,292	39,375
- others	(707)	-
Expenses paid/payable on behalf of the Group by related parties of the Trustee-Manager	(251)	2,761
Management fee paid/payable to the Trustee-Manager	842	557

These related parties are wholly-owned subsidiaries of the Sponsor, who is a substantial unitholder of the Trust.

## 26 COMPARATIVE INFORMATION

In accordance to FRS 3 Business Combination, certain comparative figures have been re-presented as a result of the finalisation of the provisional negative goodwill arising from the acquisitions of subsidiaries in 2008. The financial impact on the Group's 2008 financial statements is as follows:

	<b>Increased/ (decreased) by</b>
	<b>\$'000</b>
Other Income	(214)
Trade and other payables (current)	214

## USE OF IPO PROCEEDS

<b>Application</b>	<b>Amount allocated (S\$ million)</b>	<b>Amount deployed as at 12 March 2010 (S\$ million)</b>	<b>Remaining (S\$ million)</b>
Cash payment to SinoSpring Utility Ltd for acquisition of Hyflux Utility Ltd. ("HUL")	158.9	161.7	(2.8)
Costs related to the acquisition of HUL and the issue of all HWT's units	17.7	14.9	2.8
Costs related to the remaining EPC (engineering, procurement and construction) costs and development costs of the six completing plants* and Liaoyang WWTP	55.0	49.3	5.7
Costs related to the credit facility	1.4	1.4	0.0
General corporate and working capital purposes	1.0	1.0	0.0
<b>Total</b>	<b>234.0</b>	<b>228.3</b>	<b>5.7</b>

\* Completing plants refer to the plants within the Initial Portfolio which were under construction and had not commenced commercial operations as at the date of the Prospectus (23 November 2007), namely, the Beichen WWTP, Beichen WRP, Dafeng WTP, Langfang WRP, Yangzhou WWTP and Zunhua WTP.

## STATISTICS OF UNITHOLDERS

### DISTRIBUTION OF UNITHOLDERS BY SIZE OF UNITHOLDINGS

As at 15 March 2010

Size of Unitholdings	No. Unitholders	%	No. of Units	%
1- 999	5	0.06	1,620	0.00
1,000 - 10,000	6,344	78.21	25,380,225	8.42
10,001 - 1,000,000	1,747	21.54	75,159,868	24.95
1,000,001 and above	15	0.19	200,729,220	66.63
<b>Total</b>	<b>8,111</b>	<b>100.00</b>	<b>301,270,933</b>	<b>100.00</b>

### TWENTY LARGEST UNITHOLDERS

As at 15 March 2010

Name of Unitholder	No. of Units	% of Units
1 HYFLUX WATER PROJECTS LTD	94,500,000	31.37
2 CITIBANK NOMINEES SINGAPORE PTE LTD	37,771,013	12.54
3 DBSN SERVICES PTE LTD	24,192,216	8.03
4 HSBC (SINGAPORE) NOMINEES PTE LTD	8,060,000	2.68
5 DBS NOMINEES PTE LTD	7,066,500	2.35
6 UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,157,450	2.04
7 MERRILL LYNCH (SINGAPORE) PTE LTD	4,779,413	1.59
8 LAI CHONG MENG	3,500,000	1.16
9 TOMMIE GOH THIAM POH	3,426,000	1.14
10 DB NOMINEES (SINGAPORE) PTE LTD	2,918,977	0.97
11 RAFFLES NOMINEES (PTE) LTD	2,902,718	0.96
12 DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,633,000	0.54
13 PHILLIP SECURITIES PTE LTD	1,517,000	0.50
14 HYFLUX WATER TRUST MANAGEMENT PTE. LTD	1,270,933	0.42
15 BANK OF SINGAPORE NOMINEES PRIVATE LTD	1,034,000	0.34
16 FOO HEE KIANG	900,000	0.30
17 NG BENG CHU	830,000	0.28
18 YEOH AH TU	700,000	0.23
19 GOH KOK SIONG	690,000	0.23
20 YEO WHYE SIONG	650,000	0.22
<b>Total</b>	<b>204,499,220</b>	<b>67.89</b>

### PUBLIC UNITHOLDINGS

Based on the information available to the Trustee-Manager as at 15 March 2010, approximately 68.2% of the issued units of HWT is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## STATISTICS OF UNITHOLDERS

### SUBSTANTIAL UNITHOLDERS

As at 15 March 2010

<b>Name of Substantial Unitholder</b>	<b>Direct Interest</b>	<b>Deemed Interest</b>	<b>Total Interest</b>	<b>Percentage of Total Units in Issue<sup>1</sup></b>
Hyflux Water Projects Ltd.	94,500,000	–	94,500,000	31.4%
Schroders Investment Management Group <sup>2</sup>	–	20,368,000	20,368,000	6.8%
Hyflux Ltd <sup>3</sup>	–	95,770,933	95,770,933	31.8%
Ms Lum Ooi Lin <sup>4</sup>	–	95,770,933	95,770,933	31.8%

<sup>1</sup> The percentage of total Units in issue is based on 301,270,933 Units in issue as at 15 March 2010.

<sup>2</sup> The deemed interest of Schroders Investment Management Group includes direct and deemed interest of Schroder Investment Management Limited, Schroder Investment Management (Singapore) Ltd, Schroder Investment Management (Hong Kong) Limited and Schroder Investment Management (Japan) Limited.

<sup>3</sup> Hyflux Ltd owns the entire share capital of Hyflux Water Projects Ltd and Hyflux Water Trust Management Pte Ltd. As such, Hyflux Ltd is deemed interested in the Units held by Hyflux Water Projects Ltd and Hyflux Water Trust Management Pte Ltd.

<sup>4</sup> Ms Lum Ooi Lin owns 33.6% in Hyflux Ltd and is its Group CEO and President as well as its only controlling shareholder. As such, Ms Lum Ooi Lin is deemed interested in the Units held by Hyflux Water Projects Ltd and Hyflux Water Trust Management Pte Ltd.

# NOTICE OF ANNUAL GENERAL MEETING



*(a business trust constituted on 16 November 2007 under the laws of Singapore)*

*(Registration Number: 2007007)*

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Hyflux Water Trust ("HWT") will be held at The Auditorium, Hyflux Building, 202 Kallang Bahru, Singapore 339339 on Friday, 23 April 2010 at 2.30 p.m. to transact the following businesses:-

### **ORDINARY BUSINESS**

1. To receive and adopt the Report of the Trustee-Manager (as defined below), Statement by the Trustee-Manager and the Audited Financial Statements of HWT for the financial year ended 31 December 2009 together with the Auditors' Report thereon.

**(Resolution 1)**

2. To re-appoint Messrs KPMG LLP as external auditors of HWT for the financial year ending 31 December 2010, and to authorise Hyflux Water Trust Management Pte. Ltd. (as trustee-manager of HWT) (the "Trustee-Manager") to fix their remuneration.

**(Resolution 2)**

### **SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without any modifications:

3. That pursuant to the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Trustee-Manager to:

- (a) (i) issue units ("Units") in HWT whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible, exercisable or redeemable into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Trustee-Manager may in their absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instruments made or granted by the Trustee-Manager while such authority was in force (notwithstanding that the authority conferred by this Resolution may have expired),
- (c) the Trustee-Manager and any director of the Trustee-Manager ("Director") be authorised to do all such things and execute all documents as the Trustee-Manager or he may consider necessary or expedient to give effect to this Resolution as the Trustee-Manager or he may deem fit,

# NOTICE OF ANNUAL GENERAL MEETING

## **SPECIAL BUSINESS (cont'd)**

provided that:

- (1) the aggregate number of Units to be issued pursuant to such authority (including Units to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 50% (unless paragraph (3) below applies) of the total number of issued Units (as calculated in accordance with paragraph (2) below), and provided further that where unitholders of HWT (“Unitholders”) are not given the opportunity to participate in the same on a pro-rata basis, then the Units to be issued under such circumstances (including Units to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 20% of the total number of issued Units (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Units that may be issued under paragraph (1) above, the total number of issued Units shall be based on the issued Units (excluding treasury Units) at the time such authority was conferred, after adjusting for:
  - (i) new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) the 50% limit in paragraph (1) above may be increased to 100% for issues of Units and/or Instruments by way of a renounceable rights issue where Unitholders are given the opportunity to participate in the same on a pro-rata basis;
- (4) in exercising the authority conferred by this Resolution, the Trustee-Manager shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and
- (5) (unless revoked or varied by the Unitholders in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier except for renounceable rights issue under paragraph (3) above which will expire on 31 December 2010 or such other deadline as may be extended by the SGX-ST, whichever is earlier.

**(Resolution 3)**

# NOTICE OF ANNUAL GENERAL MEETING

## **SPECIAL BUSINESS (cont'd)**

4. (a) That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“Chapter 9”) of SGX-ST, for HWT, its subsidiaries and associated companies that are “entities at risk”(as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in HWT’s Appendix accompanying this Notice dated 8 April 2010 (the “Appendix”) issued by the Trustee-Manager with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the “IPT Mandate”) shall, unless revoked or varied by HWT in general meeting, continue in force until the conclusion of the next Annual General Meeting of HWT; and
- (c) the Trustee-Manager and any Director be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Trustee-Manager or such Director may consider expedient or necessary or in the interests of HWT to give effect to the IPT Mandate and/or this Resolution.

**(Resolution 4)**

To transact any other business as may be transacted at an Annual General Meeting.

By Order of the Board of Hyflux Water Trust Management Pte. Ltd., as Trustee-Manager of HWT.

**Pang Yeong Piao**  
Company Secretary

Singapore  
8 April 2010

# NOTICE OF ANNUAL GENERAL MEETING

## NOTES

1. The proposed Resolution 3, if passed, will empower the Trustee-Manager from the date of the above meeting to issue Units up to an amount not exceeding in total 50% of the total number of issued Units (or 100% in the case of pro-rata renounceable rights issue) with a sub-limit of 20% if Unitholders are not given the opportunity to participate in the same on a pro-rate basis, for such purposes as the Trustee-Manager may deem fit. The authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of HWT (or on 31 December 2010 or a date to be extended by the SGX-ST, subject to their review, for pro-rata renounceable rights issue as mentioned in paragraph (3) of the proposed Resolution 3).
2. The proposed Resolution 4 seeks to renew the IPT Mandate first approved at the Extraordinary General Meeting held on 4 September 2008 and last approved for renewal at the Annual General Meeting held on 23 April 2009 for HWT, its subsidiaries and associated companies that are “entities at risk” (as the term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of interested person transactions described in the Appendix. The IPT Mandate, if the proposed Resolution 4 is passed, shall continue in force unless revoked or varied by HWT in general meeting until the conclusion of the next Annual General Meeting of HWT.

## NOTES TO PROXY FORM

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

### **NOTES TO PROXY FORM:**

1. This Proxy Form is not valid for use by investors who use Central Provident Fund monies to purchase units (“CPF Investors”) and shall be invalid for all intents and purposes if used or purported to be used by them.
2. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their agent banks so that their agent banks may register with the Company Secretary.
3. A unitholder of HWT (“Unitholder”) entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
4. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
5. A proxy need not be a Unitholder.
6. A Unitholder should insert the total number of HWT units (“Units”) held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited (“CDP”), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of HWT, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Trustee-Manager at 202 Kallang Bahru, Hyflux Building, Singapore 339339 not less than 48 hours before the time appointed for the Annual General Meeting i.e. by 2:30 p.m. on 21 April 2010.
8. The instrument appointing a proxy or proxies must be 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 common seal or under the hand of its attorney or a duly authorised officer.
9. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (unless previously registered with the Trustee-Manager) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
10. A corporation which is a Unitholder may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at the Annual General Meeting. The person so authorised shall, upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

## NOTES TO PROXY FORM

11. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General 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 event, the Trustee-Manager reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the meeting.
12. The Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Trustee-Manager.
13. All Unitholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the meeting.
14. At the Annual General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded (i) by the Chairman; (ii) by five or more Unitholders having the right to vote at the meeting; (iii) by Unitholder(s) representing not less than 10% of the total voting rights of the Unitholders having the right to vote at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
15. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

## HYFLUX WATER TRUST

(a business trust constituted on 16 November 2007 under the laws of Singapore)

(Registration Number: 2007007)

### PROXY FORM ANNUAL GENERAL MEETING

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a unitholder/unitholders of Hyflux Water Trust ("HWT"), hereby appoint:

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

and/or (delete as appropriate)

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

or, both of whom failing, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of HWT to be held at The Auditorium, Hyflux Building, 202 Kallang Bahru, Singapore 339339, on Friday, 23 April 2010 at 2.30 p.m. and any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

No.	Ordinary Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For *	Against *	No. of Votes For **	No. of Votes Against **
1	Receive and adopt Report of Trustee-Manager, Statement by the Trustee-Manager, Audited Financial Statements				
2	Re-appoint KPMG LLP as external auditors of HWT				
3	Units issue mandate				
4	IPT Mandate				

\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

\*\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated \_\_\_\_\_

\_\_\_\_\_  
Signature(s) of Unitholder(s)/Common Seal

**Total number of Units held**

**Important:** Please read notes to proxy form on pages 101 and 102 of the Annual Report 2009

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Affix  
Postage  
Stamp

**The Company Secretary**  
**Hyflux Water Trust Management Pte. Ltd.**  
(as Trustee-Manager of Hyflux Water Trust)  
202 Kallang Bahru  
Hyflux Building  
Singapore 339339

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## CORPORATE INFORMATION

### TRUSTEE-MANAGER BOARD OF DIRECTORS

Mr Teo Kiang Kok  
*Non-Independent and Non-Executive Director and  
Chairman of Board*

Mr Gary Kee Eng Kwee  
*Non-Independent and Executive Director and  
Chief Executive Officer*

Mr Lau Wing Tat  
*Independent and Non-Executive Director*

Mr Sam Ong Eng Keang  
*Non-Independent and Non-Executive Director*

Mr Ivan Png Paak Liang  
*Independent and Non-Executive Director*

Mr Simon Tay Seong Chee  
*Independent and Non-Executive Director*

Mr John Teo Cheng Lok  
*Independent and Non-Executive Director*

### AUDIT COMMITTEE

Mr John Teo Cheng Lok (Chairman)

Mr Sam Ong Eng Keang

Mr Ivan Png Paak Liang

Mr Simon Tay Seong Chee

### NOMINATING AND REMUNERATION COMMITTEE

Mr Lau Wing Tat (Chairman)

Mr Teo Kiang Kok

Mr Simon Tay Seong Chee

### RISK MANAGEMENT & COMPLIANCE COMMITTEE

Mr Simon Tay Seong Chee (Chairman)

Mr Sam Ong Eng Keang

Mr Ivan Png Paak Liang

### COMPANY SECRETARY

Mr Pang Yeong Piao

### TRUSTEE-MANAGER

Hyflux Water Trust Management Pte. Ltd.  
202 Kallang Bahru, Hyflux Building  
Singapore 339339

Phone: +65 6499 5000

Fax: +65 6499 5001

Website: <http://www.hyfluxwatertrust.com>

Email: [enquiry@hyfluxwatertrust.com](mailto:enquiry@hyfluxwatertrust.com)

### EXTERNAL AUDITORS

KPMG LLP  
Certified Public Accountants  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
Phone: +65 6213 3388  
Fax: +65 6225 0984

Partner in charge: Ms Karen Lee Shu Pei  
Year of Appointment: 2008

### INTERNAL AUDITORS

Ethos Advisory Pte Ltd  
64 Cecil Street, #06-01  
IOB Building,  
Singapore 049711  
Phone: +65 6221 1788  
Fax: +65 6221 5576

### REGISTRAR AND UNIT TRANSFER OFFICE

Tricor Barbinder Share Registration Services  
8 Cross Street  
#11-00 PWC Building  
Singapore 048424  
Phone: +65 6236 3333  
Fax: +65 6236 4399

### PRINCIPAL BANKERS

Bangkok Bank Public Company Limited  
180 Cecil Street  
Bangkok Bank Building  
Singapore 069546

CIMB Bank Berhad  
50 Raffles Place, 09-01  
Singapore Land Tower  
Singapore 048623

Natixis, Singapore Branch  
50 Raffles Place #41-01  
Singapore Land Tower  
Singapore 048623

Oversea-Chinese Banking Corporation Limited  
65 Chulia Street  
OCBC Centre  
Singapore 049513



**Hyflux Water Trust Management Pte. Ltd.**  
(as Trustee-Manager of Hyflux Water Trust)

Hyflux Building  
202 Kallang Bahru Singapore 339339  
Tel: (65) 6499 5000  
Fax: (65) 6499 5001  
[www.hyfluxwatertrust.com](http://www.hyfluxwatertrust.com)  
Company Registration No: 200717960D