

APPENDIX DATED 8 APRIL 2010

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent adviser immediately. If you have sold all your units in Hyflux Water Trust, please forward this Appendix to the purchaser or bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Appendix.



(a business trust constituted on 16 November 2007 under the laws of Singapore)
(Registration Number: 2007007)

Managed By

HYFLUX WATER TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

(Company Registration Number: 200717960D)

As Trustee-Manager of Hyflux Water Trust

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING
DATED 8 APRIL 2010**

in relation to

THE PROPOSED RENEWAL OF THE IPT MANDATE

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NOTICE TO UNITHOLDERS

Forward-looking Statements. This Appendix may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of known and unknown risks, uncertainties and assumptions.

These forward-looking statements are based on the Trustee-Manager's current view of future events. No undue reliance should be placed on these forward-looking statements and they should be considered in totality with the other information provided in this Appendix.

Disclaimers. Nothing in this Appendix constitutes, or shall be construed, as business, commercial, financial, legal or tax advice. Unitholders should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units. Unitholders should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately if they are in any doubt as to the action they should take.

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated (for convenience, capitalised terms may also defined where they first appear in this Appendix to Unitholders – however, the meanings given in this “Definitions” section shall prevail in the event of any inconsistency):

- “**Administrative Authority**” : A governing body or agency of the PRC government at the county level, the district level or the provincial level.
- “**AGM**” : The Annual General Meeting of HWT to be held on Friday, 23 April 2010, notice of which is set out from pages 97 to 100 of HWT’s annual report for the financial period ended 31 December 2009, and any adjournment thereof.
- “**Concession Agreement**” : A concession agreement entered into between an SPC and an Administrative Authority, granting the SPC certain rights to own and operate water-related infrastructure assets within a specified Concession Area.
- “**Concession Area**” : The geographical area over which an SPC has the right under its Concession Agreement to develop and operate water-related infrastructure projects and provide water-related infrastructure services.
- “**Concession Capacity**” : The maximum treatment volume of a Plant as stipulated by the Concession Agreement between an SPC and an Administrative Authority.
- “**Concession Period**” : The period stipulated in the Concession Agreement between an SPC and an Administrative Authority for which the SPC is granted the right to own and operate water-related infrastructure assets.
- “**Design Capacity**” : The actual maximum treatment volume of a Plant as constructed or designed.
- “**Directors**” : The directors of the Trustee-Manager.
- “**EAR Group**” : HWT, subsidiaries of HWT (excluding subsidiaries listed on the SGX-ST or an approved exchange) and associated companies of HWT (excluding associated companies listed on the SGX-ST or an approved exchange) over which HWT and its subsidiaries (the “**HWT Group**”), or the HWT Group and its interested person(s), has or have control.
- “**EPC**” : Engineering, procurement and construction.
- “**EPC Agreement**” : An EPC agreement, including any supplements to the agreement, entered into between an SPC and the Hyflux EPC Contractor, for the provision of EPC services by the Hyflux EPC Contractor to the SPC.
- “**EPC Contract Price**” : The price payable by an SPC under an EPC Agreement.
- “**Existing Plants**” : The 18 water-related infrastructure assets (held by the 15 SPCs) acquired by HWT immediately prior to the Listing, on 23 December 2008 and at the ROFOAR Completion and/or the business undertakings of HWT in respect of the water-related infrastructure assets.

DEFINITIONS

“Future Plants”	:	Future water-related infrastructure assets acquired by HWT from the Hyflux Group pursuant to the ROFOAR Deed or from other third party owners of water-related infrastructure assets.
“HK SPCs”	:	The four special purpose companies incorporated in Hong Kong, namely: <ul style="list-style-type: none">● Hyflux Utility WWT (MG) Limited;● Hyflux Utility WTP (GY) Limited;● Hyflux Utility (WX) Limited; and● Hyflux Utility (YK) Limited.
“HUL”	:	Hyflux Utility Ltd.
“HWT”	:	Hyflux Water Trust.
“HWTM”	:	Hyflux Water Trust Management Pte. Ltd., acting in its personal capacity.
“Hyflux” or “Sponsor”	:	Hyflux Ltd.
“Hyflux EPC Contractor”	:	Hyflux NewSpring Construction Engineering (Shanghai) Co., Ltd. or such other entity appointed by the Sponsor.
“Hyflux Group” or “Sponsor Group”	:	Hyflux Ltd together with its subsidiary companies and associated companies, taken as a whole.
“Hyflux MS Provider”	:	Hyflux Investment Consultancy and Management Service (Tianjin) Co. Ltd. or such other entity appointed by the Sponsor.
“Hyflux O&M Operator”	:	Hyflux Engineering (Shanghai) Co., Ltd. or such other entity appointed by the Sponsor.
“Hyflux PD Consultant”	:	Hyflux Investment Consultancy and Management Service (Tianjin) Co. Ltd. or such other entity appointed by the Sponsor.
“Hyflux Vendor”	:	Hydrochem (S) Pte Ltd or such other entity appointed by the Hyflux EPC Contractor.
“Independent Appraiser”	:	Scott Wilson Ltd.
“Independent Directors”	:	Directors who are considered independent for purposes of the renewal of the IPT Mandate, namely Mr Lau Wing Tat, Mr Png Paak Liang Ivan, Mr Simon Tay Seong Chee and Mr. John Teo Cheng Lok.
“Interested Persons”	:	The specified classes of interested persons set out in paragraph 6 of this Appendix.
“Interested Person Transaction”	:	A transaction between the EAR Group, or any member in the EAR Group, and an Interested Person.

DEFINITIONS

“IPO Prospectus”	:	The prospectus dated 23 November 2007 issued by HWT in connection with its initial public offering.
“IPT Mandate”	:	The general mandate for interested person transactions by HWT in respect of which approval was given by Unitholders at the Extraordinary General Meeting of Unitholders convened on 4 September 2008 and approval for renewal was given by Unitholders at the Annual General Meeting of HWT convened on 23 April 2009.
“Latest Practicable Date”	:	15 March 2010, the latest practicable date prior to the printing of this Appendix.
“Listing”	:	The admission of HWT to the Official List of the SGX-ST on 3 December 2007.
“Listing Manual”	:	The listing manual of SGX-ST.
“MS”	:	Management services.
“MS Agreement”	:	An MS agreement, including any supplements to the agreement, entered into between an SPC and the Hyflux MS Provider, for the provision of management services by the Hyflux MS Provider to the SPC.
“MS Fee”	:	The fee payable by an SPC under an MS Agreement.
“NTA”	:	Net tangible assets.
“O&M”	:	Operations and maintenance.
“O&M Agreement”	:	An O&M agreement, including any supplements to the agreement, entered into between an SPC and the Hyflux O&M Operator, for the provision of O&M services by the Hyflux O&M Operator to the SPC.
“O&M Fee”	:	The fee payable by an SPC under an O&M Agreement.
“PD”	:	Project development.
“PD Agreement”	:	A PD agreement, including any supplements to the agreement, entered into between an SPC and the Hyflux PD Consultant, for the provision of PD services by the Hyflux PD Consultant to the SPC.
“PD Fee”	:	The fee payable by an SPC under a PD Agreement.
“P&I”	:	Purchase and installation of equipment.
“P&I Agreement”	:	A P&I agreement, including any supplements to the agreement, entered into between an SPC and the Hyflux Vendor, for the provision of P&I services by the Hyflux Vendor to the SPC.
“P&I Price”	:	The price payable by an SPC under a P&I Agreement.

DEFINITIONS

“Plants”	:	The water-related infrastructure assets owned by HWT comprising the Existing Plants and Future Plants (including any modifications and/or expansions relating to them).
“PRC”	:	People’s Republic of China.
“Pricing Matrix”	:	The pricing formulas (based on various quantitative and qualitative factors) relied upon to determine the amount payable for each of the PD Agreement, EPC Agreement, P&I Agreement, O&M Agreement and MS Agreement.
“Proxy Form”	:	The proxy form issued to Unitholders and found at the back of HWT’s annual report for the financial period ended 31 December 2009.
“ROFOAR Completion”	:	The completion of the purchase of the entire issued share capital of Hyflux Utility (YK) Limited, owning Hyflux Newspring Sewage Disposal (Rudong) Co., Ltd., (which in turn owns Yangkou Rudong WWTP) on 30 June 2009.
“ROFOAR Deed”	:	The deed of right of first offer and right of first refusal dated 23 November 2007 between the Sponsor and the Trustee-Manager.
“Singapore Dollar” or “S\$”	:	The lawful currency for the time being of Singapore.
“SPCs”	:	The 15 special purpose companies (holding the Existing Plants) incorporated in the PRC that are owned (directly or indirectly) by HWT, namely: <ul style="list-style-type: none">● Hyflux NewSpring (Changshu) Co., Ltd;● Hyflux NewSpring (Taizhou) Co., Ltd;● Hyflux NewSpring (Wuxi) Co., Ltd;● Hyflux NewSpring (Tiantai) Co., Ltd;● Langfang Hyflux NewSpring Co., Ltd;● Hyflux NewSpring (Nantong) Co., Ltd;● Hyflux NewSpring (Liaoyang) Co., Ltd;● Hyflux NewSpring (Yangzhou) Co., Ltd;● Hyflux NewSpring (Dafeng) Co., Ltd;● Hyflux NewSpring (Zunhua) Co., Ltd;● Hyflux NewSpring (Tianjin) Co., Ltd;● Hyflux Newspring Waste Water Treatment (Mingguang) Co., Ltd.;● Hyflux Newspring (Guanyun) Co., Ltd.;● Hyflux Newspring Sewage Disposal (Wuxi) Co., Ltd.;and● Hyflux Newspring Sewage Disposal (Rudong) Co., Ltd..
“Sponsor SPV”	:	Hyflux Water Projects Ltd, a company incorporated in the British Virgin Islands.

DEFINITIONS

“Standard Contract Templates”	:	The contract templates to be used for each of the PD Agreement, EPC Agreement, P&I Agreement, O&M Agreement and MS Agreement.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Trustee-Manager”	:	Hyflux Water Trust Management Pte. Ltd., acting in its capacity as trustee-manager of HWT.
“Unitholders”	:	Unitholders of HWT.
“Units”	:	Units in HWT.
“WRP”	:	Water recycling plant.
“WTP”	:	Water treatment plant.
“WWTP”	:	Wastewater treatment plant.

Trustee-Manager, HWT and HWTM. All references to (1) the “Trustee-Manager” are to it acting in its capacity as trustee-manager of HWT, (2) “HWT” are to it acting through the Trustee-Manager and (3) “HWTM” are to it acting in its personal capacity.

Genders, etc. Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

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

Rounding. Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof are due to rounding.

Statutes. Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under any statute or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to that word under that statute or that statutory modification, as the case may be.

Time. Any reference to a time of day in this Appendix shall be a reference to Singapore time, unless otherwise specified.

LETTER TO UNITHOLDERS



(a business trust constituted on 16 November 2007 under the laws of Singapore)
(Registration Number: 2007007)

Directors of the Trustee-Manager:

Mr Teo Kiang Kok (Chairman)
Ms Lau Wing Tat
Mr Ong Eng Keang
Mr Png Paak Liang Ivan
Mr Simon Tay Seong Chee
Mr John Teo Cheng Lok
Mr Gary Kee Eng Kwee (Chief Executive Officer)

Registered Office:

202 Kallang Bahru
Hyflux Building
Singapore 339339

8 April 2010

To: The Unitholders of
Hyflux Water Trust

Dear Sir/Madam

Proposed Renewal of the General Mandate for Interested Person Transactions

1. INTRODUCTION

- 1.1 **Existing Unitholder's Mandate.** At the Extraordinary General Meeting of the unitholders ("Unitholders") of Hyflux Water Trust ("HWT") convened on 4 September 2008, Unitholders gave approval, for the purposes of Chapter 9 of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), for HWT, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in HWT's circular to Unitholders dated 15 August 2008 ("Circular") issued by Hyflux Water Trust Management Pte. Ltd. (as trustee-manager of HWT) (the "Trustee-Manager") with any party who is of the class of interested persons described in the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions ("IPT Mandate"). At the Annual General Meeting of HWT convened on 23 April 2009, Unitholders approved the renewal of the IPT Mandate.
- 1.2 **Proposed Renewal of the IPT Mandate.** Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate was expressed to continue in force, unless revoked or varied by HWT in general meeting, until the next Annual General Meeting of HWT following thereafter, which is the Annual General Meeting scheduled to be held on 23 April 2010 ("AGM"), notice of which is set out from pages 97 to 100 of HWT's annual report for the financial period ended 31 December 2009.
- 1.3 **Appendix.** The purpose of this Appendix is to provide Unitholders with information relating to the Ordinary Resolution in the notice of the AGM to seek Unitholders' approval for the renewal of the IPT Mandate.
- 1.4 The nature of the Interested Person Transactions (set out in paragraph 7.1 below) and the classes of Interested Persons (set out in paragraph 6.1 below) in respect of which the IPT Mandate is sought to be renewed remain unchanged.

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2. CHAPTER 9 OF THE LISTING MANUAL

- 2.1 Chapter 9 of the Listing Manual governs transactions by a listed business trust, as well as transactions by its subsidiaries and associated companies that are considered to be at-risk, with the listed business trust's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain financial thresholds, the listed business trust is required to make an immediate announcement, or to make an immediate announcement and seek its unitholders' approval for that transaction.
- 2.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed business trust at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and unitholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed business trust's latest audited consolidated net tangible assets ("**NTA**")) are reached or exceeded. In particular, unitholders' approval is required for an interested person transaction of a value equal to, or which exceeds:
- (a) 5 per cent of the listed business trust's latest audited consolidated NTA; or
 - (b) 5 per cent of the listed business trust's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 2.3 Based on the latest audited consolidated accounts of HWT for the financial period ended 31 December 2009, the consolidated NTA of HWT was S\$77.5 million. For the purposes of Chapter 9 of the Listing Manual, for the financial year ending 31 December 2010, 5 per cent of the latest audited consolidated NTA of HWT would be S\$3.9 million
- 2.4 Chapter 9 of the Listing Manual permits a listed business trust, however, to seek a mandate from its unitholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed business trust's interested persons.
- 2.5 Under the Listing Manual:
- (a) an "**entity at risk**" means:
 - (i) the listed business trust;
 - (ii) a subsidiary of the listed business trust that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed business trust that is not listed on the SGX-ST or an approved exchange, provided that the listed business trust and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;
 - (b) in the case of a listed business trust, an "**interested person**" means
 - (i) a director, chief executive officer or controlling shareholder of the trustee-manager of the listed business trust;
 - (ii) the trustee-manager or controlling unitholder of the listed business trust; or
 - (iii) an associates of any of the persons or entities in (i) or (ii) above.

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- (c) in the case of a listed business trust, an “**associate**” in relation to an interested person who is a director, chief executive officer, or controlling shareholder of the trustee-manager, substantial unitholder or controlling unitholder of the listed business trust (being an individual) includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer, or controlling shareholder of the trustee-manager, substantial unitholder or controlling unitholder of the listed business trust, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family, or controlling shareholder of the trustee-manager/his immediate family, substantial unitholder/his family or controlling unitholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family, or controlling shareholder of the trustee-manager/his immediate family, substantial unitholder/his family or controlling unitholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent or more and, where the controlling shareholder of the trustee-manager or substantial unitholder or controlling unitholder of the listed business trust is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30 per cent or more;
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of unitholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual; and
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

3. RATIONALE FOR THE IPT MANDATE

- 3.1 **SPCs and Existing Plants.** HWT owns the entire issued share capital of Hyflux Utility Ltd (“**HUL**”) and Hyflux Utility WWT (MG) Limited, Hyflux Utility WTP (GY) Limited, Hyflux Utility (WX) Limited and Hyflux Utility (YK) Limited (“**HK SPCs**”). HUL and the HK SPCs in turn own the entire issued share capital of 15 special purpose companies (“**SPCs**”) incorporated in the People’s Republic of China (“**PRC**”), each of which owns one or more water-related infrastructure assets (collectively “**Existing Plants**”) in the form of a water treatment plant (“**WTP**”), wastewater treatment plant (“**WWTP**”) and/or a water recycling plant (“**WRP**”).
- 3.2 **ROFOAR Completion.** At the Extraordinary General Meeting convened on 16 December 2008, Unitholders approved the acquisition of five water-related infrastructure assets, including Yangkou Rudong WWTP. Pursuant to the said approval, HWT has acquired the entire issued share capital of one HK SPC, namely Hyflux Utility (YK) Limited, which wholly owns one SPC, namely Hyflux Newspring Sewage Disposal (Rudong) Co., Ltd., on 30 June 2009, thereby acquiring Yangkou Rudong WWTP (“**ROFOAR Completion**”). The other four water-related infrastructure assets have been acquired by HWT on 23 December 2008.
- 3.3 **Concession Agreements.** The SPCs have entered into long-term Concession Agreements with the relevant Administrative Authorities of between 20 to 30 years. Each SPC has been granted for the duration of the Concession Period an exclusive right under its Concession Agreement(s) to develop and operate water-related infrastructure projects and provide water-related infrastructure services in its Concession Area(s).
- 3.4 It is envisaged that in the ordinary course of their business, transactions between members in the EAR Group (as defined below) and HWT’s interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the obtaining of goods and services in the ordinary course of business of the EAR Group from HWT’s interested persons.
- 3.5 For example, HWT or a SPC may from time to time be required to, among others:
 - (a) modify the specifications of a Plant;

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- (b) expand the Design Capacity of a Plant;
- (c) construct additional Plants in the Concession Area;
- (d) expand the Concession Capacity in the Concession Area; and/or
- (e) extend the Concession Period or Concession Agreement;

as a result of a request by an Administrative Authority, a right of first refusal under the Concession Agreement and/or to comply with changes in environmental laws and regulations in the PRC.

3.6 **IPT Mandate.** In view of the time-sensitive nature of these requirements and the frequency of commercial transactions between members in the EAR Group (as defined below) and HWT's interested persons, renewal of the IPT Mandate pursuant to Chapter 9 of the Listing Manual will enable:

- (a) HWT;
- (b) subsidiaries of HWT (excluding subsidiaries listed on the SGX-ST or an approved exchange); and
- (c) associated companies of HWT (excluding associated companies listed on the SGX-ST or an approved exchange) over which HWT and its subsidiaries (the "**HWT Group**"), or the HWT Group and its interested person(s), has or have control,

(together, the "**EAR Group**"), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions ("**Interested Person Transactions**") set out in paragraph 7.1 below with the specified classes of HWT's interested persons ("**Interested Persons**") set out in paragraph 6.1 below which are necessary for the day-to-day operations of HWT, provided such Interested Person Transactions are made on normal commercial terms.

4. **BENEFITS TO UNITHOLDERS**

4.1 Renewal of the IPT Mandate will enhance the ability of members in the EAR Group to:

- (a) comply with the requests of the Administrative Authorities in respect of the Plants (failing which the members may lose their exclusive rights and/or rights of first refusal under their Concession Agreements);
- (b) comply with changes in environmental laws and regulations in the PRC (failing which the members may breach the environmental laws and regulations in the PRC);
- (c) pursue the commercial opportunities available in the Concession Areas, arising from their exclusive rights under their Concession Agreements to develop and operate water-related infrastructure projects and provide water-related infrastructure services in the Concession Areas and their rights of first refusal to construct additional Plants in the Concession Areas, extend the Concession Periods and/or renew the Concession Agreements; and
- (d) respond to business opportunities arising from the growing water infrastructure market in the PRC and pursue HWT's principal objective to become a leading investor of water-related infrastructure assets in the PRC and other high growth markets globally,

which are time-sensitive in nature.

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- 4.2 Renewal of the IPT Mandate will eliminate the need for HWT to announce, or to announce and convene separate general meetings on each occasion to seek Unitholders' prior approval for the entry by the relevant member in the EAR Group into, such Interested Person Transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an *ad hoc* basis, improve administrative efficacy considerably and allow manpower resources and time to be channelled towards attaining other business objectives.

5. SCOPE OF THE IPT MANDATE

- 5.1 The EAR Group needs to obtain a range of services which include the following principal activities for which renewal of the IPT Mandate is being sought:

- (a) project development services ("**PD Transactions**"), undertaken by the Hyflux PD Consultant, relating to, among others, the business of providing project development consultancy and project management services;
- (b) engineering, procurement and construction services ("**EPC Transactions**"), undertaken by the Hyflux EPC Contractor, relating to, among others, the business of providing design, engineering, procurement of equipment, installation, construction, project management, testing and commissioning services, as well as, where applicable, procurement and installation of equipment services ("**P&I Transactions**"), undertaken by the Hyflux Vendor;
- (c) operations and maintenance services ("**O&M Transactions**"), undertaken by the Hyflux O&M Operator, relating to, among others, the business of providing technical, operation and maintenance services on production process and engineering, equipment operation, repair and maintenance services; and
- (d) management services ("**MS Transactions**"), undertaken by the Hyflux MS Provider, relating to, among others, the business of providing corporate and management services,

in relation to or arising from any modification and/or expansion of:

- (i) the Existing Plants; and/or
- (ii) the Future Plants

(the Existing Plants and the Future Plants, including any modifications and/or expansions relating to them, collectively the "**Plants**").

- 5.2 In addition, the IPT Mandate includes:

- (a) amending the existing EPC Agreements, O&M Agreements and/or MS Agreements relating to the Existing Plants provided that the amendments to their terms and conditions are not material (what is "material" is to be determined by the audit committee of the Trustee-Manager (the "**Audit Committee**") after taking into account relevant factors) and that changes to the prices, rates or bases of the fees charged are made with reference to the Pricing Matrix and will not adversely affect HWT; and
- (b) entering into new PD Agreements, EPC Agreements, P&I Agreements, O&M Agreements and/or MS Agreements, based on the Standard Contract Templates and with reference to the Pricing Matrix, relating to and/or arising from any modification or expansion of the Existing Plants and/or the Future Plants.

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5.3 The IPT Mandate will not cover any transaction by a member in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

5.4 Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

6. CLASSES OF INTERESTED PERSONS

6.1 The IPT Mandate applies to the Interested Person Transactions (as described in paragraph 7.1 below) which are carried out with the following classes of Interested Persons:

- (a) Sponsor SPV (i.e. Hyflux Water Projects Ltd), which is the controlling Unitholder; and
- (b) associates of the Sponsor SPV (which as at the Latest Practicable Date includes Hyflux and its subsidiaries, such as the Hyflux PD Consultant, Hyflux EPC Contractor, Hyflux Vendor, Hyflux O&M Operator, Hyflux MS Provider and the Trustee-Manager)

(collectively the “**Sponsor Group**”).

6.2 Transactions with Interested Persons that do not fall within the ambit of the IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

7. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

7.1 The Interested Person Transactions with the Interested Persons (as described in paragraph 6.1 above) which will be covered by the IPT Mandate and the benefits to be derived therefrom are set out below:

(a) **PD Transactions**

The products and services under this sub-category include:

- (i) the obtaining of project development consultancy and project management services;
- (ii) the obtaining of information and materials, as well as assistance in technical skills, financial analysis and investment proposals;
- (iii) the obtaining of representation and assistance in the negotiation of contracts;
- (iv) the obtaining of assistance in the completion of any report required for the requisite regulatory approvals;
- (v) the liaison with governmental bodies, agencies or regulatory authorities in the PRC; and
- (vi) the obtaining of such other products and/or services which are incidental to or in connection with the obtaining of products and/or services in sub-paragraphs (i) to (v) above.

(b) **EPC Transactions**

The products and services under this sub-category include:

- (i) the obtaining of engineering, procurement of equipment, installation, construction, project management and/or testing and commissioning services for turnkey projects;

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- (ii) the obtaining of design consultancy services;
- (iii) the purchase of equipment;
- (iv) the obtaining of installation of equipment services; and
- (v) the obtaining of such other products and/or services which are incidental to or in connection with the obtaining of products and/or services in sub-paragraphs (i) to (iv) above.

(c) **P&I Transactions**

The products and services under this sub-category include:

- (i) the purchase of equipment;
- (ii) the obtaining of installation of equipment services; and
- (iii) the obtaining of such other products and/or services which are incidental to or in connection with the obtaining of products and/or services in sub-paragraphs (i) and (ii) above.

(d) **O&M Transactions**

The products and services under this sub-category include:

- (i) the obtaining of technical operation and maintenance services on production process and engineering, equipment operation, repair and maintenance;
- (ii) the recruitment, training and supervision of personnel on behalf of an SPC;
- (iii) the purchase of chemicals and spare parts necessary for the operation and maintenance of a Plant;
- (iv) the proper and accurate testing of all Plant operations, recording of input and output data, keeping of daily operation records and data of distribution control system;
- (v) the operation of a Plant within specified costs and in compliance with the sewage discharge standard set out in a Concession Agreement;
- (vi) the collection, sampling, analysis, and monitoring services of treated water quality of a Plant, and the verification of quality and volume of treated water;
- (vii) the obtaining of technical support and consultancy services;
- (viii) the submission of an annual operation plan for approval by an SPC;
- (ix) the proposing of improvements to an SPC of the operations and maintenance of a Plant; and
- (x) the obtaining of such other products and/or services which are incidental to or in connection with the obtaining of products and/or services in sub-paragraphs (i) to (ix) above.

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(e) **MS Transactions**

The products and services under this sub-category include:

- (i) the secondment of senior personnel to assist in the management of a Plant;
- (ii) the management training of personnel of an SPC;
- (iii) the liaison with audit and tax service providers;
- (iv) the liaison with the Administrative Authorities on tariff adjustments;
- (v) the liaison with the Administrative Authorities and/or other PRC governmental/regulatory bodies on other administrative services as requested by an SPC; and
- (vi) the obtaining of such other products and/or services which are incidental to or in connection with the obtaining of products and/or services in sub-paragraphs (i) to (v) above.

7.2 The Interested Person Transactions mentioned in paragraph 7.1 above arise in the normal course of business of the EAR Group and are necessary for the day-to-day operations of the EAR Group. The EAR Group will benefit from having access to the experience and expertise of the Interested Persons in respect of the products and services mentioned in paragraph 7.1 above.

8. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

8.1 The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms.

8.2 **Review Procedures.** In general, there are procedures established by the EAR Group to ensure that the Interested Person Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

8.3 In particular, the following review procedures have been put in place:

- (a) all contracts entered into or transactions with Interested Persons are to be carried out by obtaining quotations (wherever possible or available) from at least another unrelated third party supplier for similar quantities and/or quality of services or products, prior to the entry into of the contract or transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, payment terms, experience and expertise, will be taken into account; and
- (b) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, if the product is a proprietary item, if there are confidentiality issues or timing constraints over the provision of products or services by unrelated third party vendors), the management staff of the Trustee-Manager will, subject to the Threshold Limits (as defined below), determine whether the price and terms offered by the Interested Person are fair and reasonable. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, payment terms, experience and expertise, reference to the Pricing Matrix (as defined below) and Standard Contract Templates (as defined below) will be taken into account.

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- 8.4 **Pricing Matrix and Standard Contract Templates.** The Pricing Matrix and the Standard Contract Templates have been prepared for use in the Interested Person Transactions falling under the IPT Mandate in the event that competitive quotations cannot be obtained.
- (a) **Pricing Matrix.** The Pricing Matrix sets out the formulas (based on various quantitative and qualitative factors) used to determine the amount payable under each of the PD Agreement, EPC Agreement, P&I Agreement, O&M Agreement and MS Agreement with the aim of ensuring that an Interested Person Transaction will be carried out on normal commercial terms and not prejudicial to the interest of HWT and its minority Unitholders. In formulating the Pricing Matrix, HWT has determined a relevant base price range for each Standard Contract Template, taking into account a few key factors, and will determine the final price based on relevant qualitative factors and pre-determined formulas which take into account changes in, among others, the relevant consumer price index.
- (b) **Standard Contract Templates.** The Standard Contract Templates comprise five types of agreements:
- (i) The PD Agreement is to be entered into by an SPC with the Hyflux PD Consultant, whereby the Hyflux PD Consultant is appointed to provide project development consultancy and management services in relation to the modification and/or expansion of a Plant to the SPC in return for a fixed PD Fee.
 - (ii) The EPC Agreement is to be entered into by an SPC with the Hyflux EPC Contractor, whereby the Hyflux EPC Contractor is appointed as the EPC Contractor to design, engineer, procure equipment, install, construct, manage, test and commission a Plant in accordance with agreed technical specifications in return for an EPC Contract Price.
 - (iii) In certain cases, for reasons of commercial and tax efficacy, the SPC may also enter into a P&I Agreement with the Hyflux Vendor, whereby the Hyflux Vendor is appointed to purchase and install equipment for the SPC in return for a P&I Price.
 - (iv) The O&M Agreement is to be entered into by an SPC with the Hyflux O&M Operator, whereby the Hyflux O&M Operator is appointed to operate and maintain a Plant in return for an O&M Fee, which comprises a fixed and variable component, for the duration of the Concession Agreement.
 - (v) The MS Agreement is to be entered into by an SPC with the Hyflux MS Provider, whereby the Hyflux MS Provider is appointed to provide corporate and management services to the SPC in return for an MS Fee, which comprises a fixed monthly fee and a monthly variable payment computed based on the SPC's revenue.
- (c) **Independent Appraiser.** In the Circulars to Unitholders dated 15 August 2008 and 7 April 2009 to seek Unitholders' approval for the IPT Mandate and for the renewal of the IPT Mandate respectively, it was stated that the Pricing Matrix and the terms and conditions of the Standard Contract Templates had been reviewed by an independent appraiser experienced in appraising water-related infrastructure assets. Having reviewed the Pricing Matrix and the Standard Contract Templates, the independent appraiser was of the opinion that:
- (i) each of the Standard Contract Templates has been structured to be entered into by the EAR Group and the Interested Person on an arm's length basis, and that the technical scope, terms and conditions in each of the Standard Contract Templates are on normal commercial terms, follow general market practice in the PRC and are not prejudicial to the interests of HWT and its minority Unitholders; and

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- (ii) the Pricing Matrix allows the amount payable under each of the Standard Contract Templates to be determined on an arm's length basis and in accordance with general market rates in the PRC, and that the fee ranges used in the Pricing Matrix to determine the amount payable under each of the Standard Contract Templates are on normal commercial terms, reasonable and are not prejudicial to the interests of HWT and its minority Unitholders.

8.5 Threshold Limit

- (a) In addition to the review procedures, the following threshold limits ("**Threshold Limits**") will be applied to supplement the internal systems of the EAR Group to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms:

Category of Interested Person Transactions	Threshold Limit (S\$ million)
PD Transaction	1
EPC Transaction and P&I Transaction	10 ¹
O&M Transaction	15 ²
MS Transaction	5 ³

Notes:

1. Based on the total amount of (i) EPC Contract Price and (ii) P&I Price (if any).
 2. Based on the estimated total amount of O&M Fees payable for the duration of the O&M Agreement (which duration is generally similar to the Concession Period).
 3. Based on the estimated total amount of MS Fees payable for the duration of the MS Agreement (which duration is generally similar to the Concession Period).
- (b) Where the EAR Group's proportionate share in an Interested Person Transaction exceeds any of the relevant Threshold Limits set out above, such transaction must be approved by the Audit Committee prior to its entry.
- (c) Where the EAR Group's proportionate share in an Interested Person Transaction is equal to or below any of the relevant Threshold Limits set out above, such transaction need not have the prior approval of the Audit Committee, but shall be reviewed on a half-yearly basis by the Audit Committee.

- 8.6 **IPT Register.** The Trustee-Manager will maintain a register of transactions ("**IPT Register**") carried out with Interested Persons pursuant to the IPT Mandate (recording the basis, including the quotations and/or independent valuations (if possible or available) obtained to support such basis, on which they were entered into).

8.7 Review by Audit Committee

- (a) All present and on-going Interested Person Transactions will be included in the IPT Register and reviewed by the Chief Financial Officer ("**CFO**") of the Trustee-Manager quarterly and in his/her absence, the Vice President, Finance of the Trustee-Manager. Quarterly reports will be prepared for the CFO, the internal auditors of the Trustee-Manager and the Audit Committee.
- (b) The internal auditors will review all Interested Person Transactions on a semi-annual basis and submit a report for the Audit Committee's review.

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- (c) The Audit Committee will review these internal audit reports on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. The Audit Committee's review will include the examination of the nature of the transaction and supporting documents or such other data deemed necessary by the Audit Committee.
- (d) If during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, HWT will revert to Unitholders for a fresh mandate based on new guidelines and review procedures to ensure that the Interested Person Transactions will be on an arm's length basis and on normal commercial terms.

9. VALIDITY PERIOD OF THE IPT MANDATE

- 9.1 The renewal of the IPT Mandate will take effect from the passing of the ordinary resolution relating thereto at the forthcoming AGM and will continue in force (unless revoked or varied by HWT in general meeting) until the next Annual General Meeting of HWT following thereafter.
- 9.2 Approval from Unitholders will be sought for the renewal of the IPT Mandate at each subsequent Annual General Meeting of HWT, subject to satisfactory review by the Audit Committee of its continued application to the transactions with Interested Persons.

10. DISCLOSURE IN ANNUAL REPORT

Disclosure has been made in HWT's annual report for the financial period ended 31 December 2009 of the aggregate value of transactions conducted with Interested Persons under the IPT Mandate for the financial period ended 31 December 2009. Disclosures will be made in HWT's annual reports for subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

11. AUDIT COMMITTEE'S STATEMENT

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the approval of the IPT Mandate; and
- (b) the methods or procedures for determining the transaction prices under the IPT Mandate are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of HWT and its minority Unitholders.

12. INDEPENDENT DIRECTORS' RECOMMENDATION

- 12.1 **Independent Directors.** The Directors who are regarded as independent with regard to the proposed renewal of the IPT Mandate are Mr Lau Wing Tat, Mr Png Paak Liang Ivan, Mr Simon Tay Seong Chee and Mr John Teo Cheng Lok (the "**Independent Directors**"). Mr Teo Kiang Kok is not regarded as independent with regard to the proposed renewal of the IPT Mandate as he is currently a Director of the Sponsor. Mr Ong Eng Keang is not regarded as independent with regard to the proposed renewal of the IPT Mandate as he is currently the Hyflux Group Deputy Chief Executive Officer and Chief Financial Officer. Mr Gary Kee Eng Kwee, the Chief Executive Officer of the Trustee-Manager, is an employee of HWTM, a wholly-owned subsidiary of the Sponsor and is therefore also not regarded as independent with regard to the proposed renewal of the IPT Mandate.

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12.2 **Recommendation.** The Independent Directors are of the opinion that the entry into of the Interested Person Transactions between the EAR Group (as described in paragraph 3.6 of this Appendix) and those Interested Persons (as described in paragraph 6.1 of this Appendix) in the ordinary course of its business will be entered into to enhance the efficiency of the EAR Group and are in the best interests of HWT. For the reasons set out in paragraphs 3 and 4 of this Appendix and taking into account the confirmation of the Audit Committee set out in paragraph 11 above, the Independent Directors recommend that Unitholders **VOTE IN FAVOUR** of the Ordinary Resolution proposed to approve the renewal of the IPT Mandate.

13. ANNUAL GENERAL MEETING

Date and Time. The AGM will be held on Friday, 23 April 2010 at 2.30 p.m. at The Auditorium, Hyflux Building, 202 Kallang Bahru, Singapore 339339, for the purpose of considering and, if thought fit, passing, with or without amendment, the ordinary resolutions set out in the notice of the AGM, including the Ordinary Resolution to seek Unitholders' approval for the renewal of the IPT Mandate.

14. ACTION TO BE TAKEN BY UNITHOLDERS

If you are a Unitholder and wish but are unable to attend the AGM, you may appoint a proxy to attend and vote on your behalf. To appoint a proxy, please complete, sign and return the proxy form ("**Proxy Form**") found at the back of HWT's annual report for the financial period ended 31 December 2009 in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the place specified in the Proxy Form not less than 48 hours before the time for holding the AGM, namely, by 2.30 p.m. on 21 April 2010. Completing and returning a Proxy Form will not prevent you from attending and voting in person at the AGM if you subsequently wish to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

15. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate in all material respects as at the date of this Appendix and there are no material facts the omission of which would make any statement in this Appendix misleading in any material respect.

16. ADDITIONAL INFORMATION

Please refer to Annex 1 (Additional Information) for certain additional information relevant to the matters and proposals set out in this Appendix.

Yours faithfully
for and on behalf of
the Board of Directors of
HYFLUX WATER TRUST MANAGEMENT PTE. LTD.
as Trustee-Manager of
HYFLUX WATER TRUST

Teo Kiang Kok
Chairman

ANNEX 1 ADDITIONAL INFORMATION

Directors' and Substantial Unitholders' Interests

1 **Directors.** As at the Latest Practicable Date, the interests of the Directors in Units are as follows:

Name of Director	Number of Units	Percentage of Total Units in Issue ¹
Mr Teo Kiang Kok	200,000	0.07%
Mr Lau Wing Tat	–	–
Mr Png Paak Liang Ivan	190,000	0.06%
Mr Simon Tay Seong Chee	–	–
Mr John Teo Cheng Lok	–	–
Mr Ong Eng Keang	–	–
Mr Gary Kee Eng Kwee	–	–

2 **Substantial Unitholders.** As at the Latest Practicable Date, the interests of the substantial Unitholders in Units as recorded in the Register of Substantial Unitholders are as follows:

Name of Substantial Unitholder	Direct Interest	Deemed Interest	Total Interest	Percentage of Total Units in Issue
Sponsor SPV	94,500,000	–	94,500,000	31.4%
Schroders Investment Management Group ²	–	20,368,000	20,368,000	6.8%
Hyflux Ltd ³	–	95,700,933	95,700,933	31.8%
Ms Lum Ooi Lin ⁴	–	95,700,933	95,700,933	31.8%

3 **Disclosure of Interests.** Mr Teo Kiang Kok is currently a Director of the Sponsor and is a Non-Independent and Non-Executive Director on the board of the Trustee-Manager. Mr Ong Eng Keang, currently the Hyflux Group Deputy Chief Executive Officer and Chief Financial Officer, is a Non-Independent and Non-Executive Director on the board of the Trustee-Manager. Mr Gary Kee Eng Kwee, the Chief Executive Officer of the Trustee-Manager, is a Non-Independent and Executive Director on the board of the Trustee-Manager.

Save as disclosed in this Appendix, no Director or controlling shareholder of the Trustee-Manager, and no controlling Unitholder, has any interest in the proposed renewal of the IPT Mandate.

Notes:

- ¹ The percentage of total Units in issue is based on 301,270,933 Units in issue as at the Latest Practicable Date.
- ² 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.
- ³ Hyflux Ltd owns the entire share capital of the Sponsor SPV. As such, Hyflux Ltd is deemed interested in the Units held by the Sponsor SPV.
- ⁴ Ms Lum Ooi Lin, as at the Latest Practicable Date, owns 33.6% in Hyflux Ltd, where she is its Group Chief Executive Officer and President as well as its only controlling shareholder. As such, Ms Lum Ooi Lin is deemed interested in the Units held by the Sponsor SPV.

ANNEX 1
ADDITIONAL INFORMATION

4 Abstention from Voting

The Sponsor SPV (being an Interested Person) and its associates will abstain from voting their unitholdings in respect of the Ordinary Resolution relating to the proposed renewal of the IPT Mandate at the forthcoming AGM.