

OFFER OF UP TO S\$300 MILLION IN AGGREGATE PRINCIPAL AMOUNT OF 6.00 PER CENT.¹ PERPETUAL CAPITAL SECURITIES BY HYFLUX LTD (THE “SECURITIES”)²

Prior to making a decision to purchase the Securities, you should carefully consider all the information contained in the Offer Information Statement dated 17 May 2016 (the “OIS”) lodged with the Monetary Authority of Singapore³. This Product Highlights Sheet should be read in conjunction with the OIS. You will be subject to various risks and uncertainties, including the potential loss of your entire principal amount invested. If you are in doubt as to investing in the Securities, you should consult your legal, financial, tax or other professional adviser.

This Product Highlights Sheet is an important document.

- It highlights the key information and risks relating to the offer of the Securities contained in the OIS. It complements the OIS.
- You should **not** purchase the Securities if you do not understand the nature of an investment in perpetual securities, our business or are not comfortable with the accompanying risks.
- If you wish to purchase the Securities, you will need to make an application in the manner set out in the OIS. If you do not have a copy of the OIS, please contact us to ask for one.

Issuer and Guarantor (if applicable)	Hyflux Ltd (the “Issuer” or “Hyflux”)	Place of incorporation	Singapore
Issue Price and denomination of the Securities	S\$1 per S\$1 in principal amount of the Securities (being 100 per cent. of the principal amount of the Securities). The Securities will be issued in registered form in denominations of S\$1,000 each or integral multiples thereof.	Total amount to be raised in this offer	Gross proceeds: Up to a maximum of S\$500 million. Net proceeds: <ul style="list-style-type: none"> • Approximately S\$296,490,000 (assuming gross proceeds of S\$300 million); and • Approximately S\$494,700,000 (assuming gross proceeds of S\$500 million).
Description of the Securities	Up to S\$300 million in aggregate principal amount of 6.00 per cent. (subject to reset/step-up from and including 27 May 2020 (being the Step-Up Date) and each successive date falling every four years thereafter) perpetual capital securities ² , payable semi-annually, on 27 May and 27 November of each year. The Securities are expected to be issued on 27 May 2016 and have no fixed maturity.	Listing status of Issuer and the Securities	<ul style="list-style-type: none"> • Issuer – Listed on the Mainboard of SGX-ST. • Securities – Expected to be listed on the Mainboard of SGX-ST on and from 30 May 2016. Trading will be in board lots of S\$1,000 in principal amount of the Securities.
Issue Manager(s) / Arranger	DBS Bank Ltd. (“DBS Bank”)	Underwriter(s)	The Offer is not underwritten.
Credit rating of Issuer/the Securities and Credit Rating Agencies	The Securities and the Issuer are not rated by any credit rating agency.	Trustee/Registrar/ Paying Agent/ Calculation Agent	<ul style="list-style-type: none"> • Trustee – Perpetual (Asia) Limited • Registrar – DBS Bank • Paying Agent – DBS Bank • Calculation Agent – DBS Bank

¹ Subject to a one-time step-up of the Step-Up Margin on 27 May 2020 and a reset of the Distribution Rate on each Reset Date.

² Subject to the Increase of Offer Size, the Reallocation and the Right to Cancel.

³ A printed copy of the OIS (together with this Product Highlights Sheet) may be obtained on request, subject to availability, during operating hours from selected branches of DBS Bank (including POSB). Copies of each of the OIS and this Product Highlights Sheet are also available on the OPERA website of the Monetary Authority of Singapore at <https://opera.mas.gov.sg/ExtPortal/>.

INVESTMENT SUITABILITY

WHO IS THE INVESTMENT SUITABLE FOR?

The Securities are only suitable for you if you:

- o are comfortable investing in hybrid securities that combine the features of both debt and equity and as such are prepared to accept risks higher than those normally associated with plain vanilla bonds;
- o are prepared to rank lower in priority compared to holders of plain vanilla bonds and other senior creditors in an insolvency situation;
- o accept the risk that you may not receive distributions in a timely manner if we choose to postpone the payment of such distributions;
- o accept the risk that we may choose not to redeem the Securities at all and as such, your only ability to exit your investment is through the secondary market; and
- o are prepared to hold your Securities indefinitely, or to lose a substantial amount of your principal investment if you sell your Securities in a secondary market at a discount.

There are further risks associated with an investment in the Securities. Please refer to the section entitled “**RISK FACTORS**” of the OIS and in particular, the sub-section entitled “Risks Associated with an Investment in the Securities” for a summary of the risks relating to an investment in the Securities.

The considerations and risks referred to above are not exhaustive.

KEY FEATURES

Background Information on the Issuer

WHO ARE YOU INVESTING WITH?

Hyflux is a global leader in sustainable solutions, focusing on the areas of water and energy. Our Group’s business lines are environmental solutions, membrane sales and O&M of water plants. We offer cost-effective and innovative solutions that contribute to resource optimisation and sustainable growth for communities and industries. Founded in Singapore in 1989, Hyflux today employs about 2,500 staff worldwide. Headquartered and listed in Singapore, our Group has operations and projects in Southeast Asia, the PRC, India, the MEA and the Americas.

As a specialist in water treatment, our distinctive ability to address the challenges at every point of the entire water value chain has positioned us as one of the top desalination plant developer globally. In the area of energy, our Group has expanded from energy generation and retail to include waste-to-energy and providing clean and renewable energy. Looking beyond municipal and industrial projects, we are also building up our consumer segment by leveraging our expertise in water technology for stable and recurring income.

Our Group’s track record includes Singapore’s first water recycling plant, the only two SWRO desalination plants in Singapore and some of the world’s largest SWRO desalination plants in Algeria, the PRC, Oman, Saudi Arabia and Singapore. As at the LPD, our Group has built over 40 plants in the PRC, Singapore and Algeria. We have developed Asia’s first integrated water and power project in Singapore and recently secured a second integrated water and power project in Egypt. We are also developing Singapore’s largest waste-to-energy plant.

As at the LPD, we have a market capitalisation of approximately S\$443 million and our issued and paid-up ordinary share capital is S\$214,688,552.56 comprising 864,530,989 ordinary shares (comprising of 785,284,989 shares plus 79,246,000 treasury shares). As at the LPD, our substantial shareholder is Olivia Lum Ooi Lin (34.05%).

Our board of directors comprises (a) Olivia Lum Ooi Lin, (b) Teo Kiang Kok, (c) Lee Joo Hai, (d) Gay Chee Cheong, (e) Christopher Murugasu, (f) Simon Tay, (g) Lau Wing Tat, and (h) Gary Kee Eng Kwee.

For more information, refer to the 16th Schedule Section:

- *Part IV, paragraph 9(b) on pages 87 to 106 of the OIS for more information on our Group’s business; and*
- *Part IV, paragraph 9(e) on page 111 of the OIS for more information on our substantial shareholders.*

WHAT ARE YOU INVESTING IN?

We are offering up to S\$300 million in aggregate principal amount of Securities, subject to the Increase of Offer Size, the Reallocation and the Right to Cancel.

The issue price is S\$1 per S\$1 in principal amount of the Securities (being 100 per cent. of the principal amount of the Securities).

You should note that the Securities are perpetual in nature and, unlike plain vanilla bonds, do not have a fixed redemption date. You will only receive all or part of your investment amount if the Securities are (i) redeemed at the option of the Issuer in accordance with the Terms and Conditions, in which case you should receive the principal amount, together with distribution accrued (if any) or (ii) sold in the open market at the prevailing market price, in which case you may incur losses if the proceeds from the sale is less than your original investment. In addition, you should also note that, as with typical perpetual capital securities, payment of distributions under the Securities may also be deferred for an indefinite period and you have no recourse to Hyflux if such deferral is made in accordance with the Terms and Conditions.

WHAT IS THE DISTRIBUTION RATE OF THE SECURITIES?

The Securities confer a right to receive distributions on its outstanding principal amount from the Issue Date at the applicable Distribution Rate (further discussed below), payable semi-annually in arrear on 27 May and 27 November of each year, with the first Distribution Payment Date being 27 November 2016.

We may, at our sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date in accordance with the Terms and Conditions. There is no limit as to the number of times we will be able to defer the payments of distribution and Arrears of Distribution (as defined in the Terms and Conditions), subject to restrictions set out in the Terms and Conditions. However, Arrears of Distribution are cumulative (that is, such distributions remaining unpaid shall continue to be payable (unless paid earlier) when the Securities are redeemed at our option), subject to the Terms and Conditions.

Distribution Rate up to 2020

The Distribution Rate from (and including) 27 May 2016 to (but excluding) 27 May 2020 is 6.00 per cent. comprising:

- (i) the Initial 4-year SOR; and
- (ii) the Initial Spread.

1.80%

4.20%

6.00%

Illustration

Suppose a Securityholder holds a total of S\$10,000 in aggregate principal amount of Securities. Then, the total distribution accrued and payable per annum on the S\$10,000 in aggregate principal amount of Securities (assuming that we choose not to defer distribution) for the period commencing on (and including) 27 May 2016 and ending on (but excluding) 27 May 2020 will be S\$600 (6.00% x S\$10,000), payable in two instalments for each year of approximately S\$300 each.

Distribution Rate from 2020

Under condition 3(b) in the Terms and Conditions, it is provided that if the Securities are not redeemed on 27 May 2020, the Distribution Rate from (and including) 27 May 2020 and each successive date falling every four years after 27 May 2020 (each, including 27 May 2020, a Reset Date) to (but excluding) the immediately following Reset Date will be reset to a rate equal to:

- (i) the 4-year SOR on the Reset Determination Date;
- (ii) the Initial Spread; and
- (iii) the Step-Up Margin.

 $X^{(1)}\%$

4.20%

2.00%

 $X^{(1)} + 6.20\%$ **Note:**

⁽¹⁾ To be determined on the Reset Determination Date.

For more information on the Securities, refer to:

- the section entitled “**SUMMARY OF THE OFFER AND THE SECURITIES**” on pages 9 to 20 of the OIS;
- the section entitled “**HOW THE DISTRIBUTION RATE AND THE RESET DISTRIBUTION RATE ARE CALCULATED**” on pages 21 to 23 of the OIS; and
- the section entitled “**TERMS AND CONDITIONS OF THE SECURITIES**” on pages 57 to 74 of the OIS.

The Initial Spread and the Step-Up Margin will remain fixed for purposes of calculating the Reset Distribution Rate. ***The only value that is to be determined, and which could change over time, is the 4-year SOR on the applicable Reset Determination Date.***

Illustrations

Suppose a Securityholder holds a total of S\$10,000 in aggregate principal amount of Securities and that the S\$10,000 in aggregate principal amount of Securities are not redeemed on the first Reset Determination Date on 27 May 2020. Then, the Distribution Rates, in several different hypothetical scenarios of varying 4-year SOR values, from (and including) 27 May 2020 to (but excluding) 27 May 2024 are:

	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
	↑ 4-year SOR	= 4-year SOR	↓ 4-year SOR
(i) applicable 4-year SOR:	2.80%	1.80%	-1.20%
(ii) Initial Spread:	4.20%	4.20%	4.20%
(iii) Step-Up Margin:	2.00%	2.00%	2.00%
	9.00%	8.00%	5.00%

Accordingly, the total distribution accrued and payable per annum on the S\$10,000 in aggregate principal amount of Securities (assuming that we choose not to defer distribution) for the period commencing on (and including) 27 May 2020 and ending on (but excluding) 27 May 2024 will be S\$900 (9.00% x S\$10,000), payable in two instalments for each year of approximately S\$450 each, S\$800 (8.00% x S\$10,000), payable in two instalments for each year of approximately S\$400 each, and S\$500 (5.00% x S\$10,000), payable in two instalments for each year of approximately S\$250 each, for Scenarios 1, 2 and 3 respectively.

Distribution Rate from 2024 onwards

The Reset Distribution Rate is further recalculated every four years from, and including, the Reset Determination Date in 2024 until the Issuer elects to redeem the Securities. Assuming that the Securities are not redeemed on or prior to the Reset Determination Date in 2024, the Reset Distribution Rate for the Securities will be recalculated at that point of time in the same manner as described above.

ARE THE SECURITIES REDEEMABLE?

The Securities have no fixed redemption date. However, we may redeem all (and not some only) of the Securities, at our option, on 27 May 2020 or any Distribution Payment Date thereafter, or on the occurrence of certain events set out in pages 66 to 68 of the section entitled “TERMS AND CONDITIONS OF THE SECURITIES” of the OIS.

Key Financial Information

Key comprehensive income information of our Group

	Q1 FY2015 (S\$'000)	Q1 FY2016 (S\$'000)	
Revenue	60,432	248,346	
Profit before tax	7,558	5,777	
Profit for the period	6,678	8,063	
	FY2013 (S\$'000)	FY2014 (S\$'000)	FY2015 (S\$'000)
Revenue	535,790	321,394	445,241
Profit before tax	51,623	53,060	38,777
Profit for the year	42,896	58,813	45,472

For more information on the financial performance of our Group, refer to:

- Part V, paragraphs 1 to 8 on pages 113 to 119 of the 16th Schedule Section of the OIS; and
- Appendices B to E on pages B-1, C-1 to C-2, D-1 to D-2 and E-1 to E-19 of the OIS respectively.

Key cash flow information of our Group

	Q1 FY2015 (S\$'000)	Q1 FY2016 (S\$'000)
Net cash from operating activities before service concession arrangement projects	9,852	157,663
Net cash used in operating activities	(26,269)	(33,779)
Net cash from/(used in) investing activities	6,187	(32,356)
Net cash used in financing activities	(102,037)	(65,105)
Net decrease in cash and cash equivalents	(122,119)	(131,240)
Cash and cash equivalents at end of the period	335,033	181,471
	FY2014 (S\$'000)	FY2015 (S\$'000)
Net cash (used in)/from operating activities before service concession arrangement projects	(15,037)	84,300
Net cash used in operating activities	(226,133)	(43,651)
Net cash from/(used in) investing activities	206,288	(103,590)
Net cash from financing activities	210,188	59,538
Net increase/(decrease) in cash and cash equivalents	190,343	(87,703)
Cash and cash equivalents at end of the year	444,428	313,706

Key balance sheet information of our Group

	As at 31 December 2014 (S\$'000)	As at 31 December 2015 (S\$'000)	As at 31 March 2016 (S\$'000)
Total assets	2,741,715	3,025,355	3,065,116
Total loans and borrowings	1,132,795	1,423,949	1,397,916
Total liabilities	1,399,727	1,724,504	1,822,502
Net assets	1,341,988	1,300,851	1,242,614

The most significant factors contributing to our Group's financial performance for FY2015 are set out below.

Q1 FY2016 compared with Q1 FY2015

- Total revenue for Q1 FY2016 increased from S\$60.4 million for Q1 FY2015 to S\$248.3 million, contributed mainly by the TuasOne waste-to-energy project and Qurayyat independent water project.
- Our Group's gross profits increased by 48 per cent. from S\$39.6 million in Q1 FY2015 to S\$58.7 million in Q1 FY2016.
- Our Group achieved a PATMI of S\$7.3 million in Q1 FY2016, an increase of 30% from S\$5.6 million in Q1 FY2015. The higher PATMI was mainly contributed by the constructions of TuasOne waste-to-energy plant and Qurayyat independent water project.

FY2015 compared with FY2014

- Total revenue increased by 39 per cent. from S\$321.4 million for FY2014 to S\$445.2 million. This increase in revenue is contributed mainly by the Qurayyat independent water project, with a designed capacity of 200,000 m³/day from the government-owned Oman Power and Water Procurement Company SAOC, as well as a containerised desalination system to augment the existing Yanbu Desalination Plant in the Kingdom of Saudi Arabia.
- Our Group's gross profits increased by 40 per cent. to S\$221.0 million in FY2015 from S\$157.5 million in FY2014.
- Our Group achieved a PATMI of S\$41.3 million in FY2015, a decrease of 28 per cent. from S\$57.5 million in FY2014. The lower PATMI was mainly due to a lower level of divestment activities in FY2015 compared to FY2014. Divestment activities in FY2014 had generated gains of S\$103.8 million from the sale and leaseback of Hyflux Innovation Centre, and S\$54.1 million gain from the disposal of the Hyflux Marmon Development Pte Ltd, a joint venture, as well as Marmon Hyflux Investments Pte Ltd, an associate company of our Group.

The above factors are not the only factors contributing to our Group's financial performance in FY2014, FY2015, Q1 FY2015 and Q1 FY2016. Please refer to paragraph 3 of Part V "Operating and Financial Review and Prospects" of the 16th Schedule Section for more details.

Our Group differentiates itself from its competitors by providing a full spectrum of water treatment-related services and offering a one-stop infrastructure solution to our clients through the following business strategies:

Expanding our municipal and industrial portfolio with innovative solutions

- Innovation is crucial to our Group's business and we are committed to enhancing our suite of technologies in the municipal and industrial water segments to drive resource efficiency and recovery. As a top global desalination plant developer, our Group has expanded its portfolio beyond water into power and waste-to-energy sectors.
- To enhance the operational efficiency of the Tuaspring Desalination Plant, a 411 megawatt on-site combined cycle gas turbine power plant was integrated with the desalination plant. The power plant supplies electricity to the desalination plant, and will in turn draw cooling water from the desalination plant to condense the steam in the turbine and cool auxiliary services. The strategic integration of water and power in the Tuaspring project marks our entry into the global integrated water and power project segment. With the Tuaspring project as a reference plant, our Group secured the Ain Sokhna Integrated Water and Power Project in Egypt in March 2016.
- Our TuasOne waste-to-energy project will be Singapore's largest waste-to-energy plant and will showcase our ability to put together an innovative solution that Singapore can be proud of, setting new benchmarks for land utilisation and energy recovery efficiency for Singapore. With the growing importance of resource optimisation to urban cities and industries, the development of alternative sources of water as well as the recovery of energy from waste has become crucial. Our Group's business is evolving in response to this global trend. Our Group is committed to delivering sustainable and innovative environmental solutions for municipalities and industries worldwide to address the global resource challenge.
- To exemplify its ability to provide quick and cost-effective innovative solutions as well as its expertise in designing high specification plants for industrial customers, our Group won a contract to supply a containerised desalination solution and another contract to supply a SWRO and sulphate removal facilities package in the Kingdom of Saudi Arabia. Both projects are expected to be completed within the span of a year.

Growing recurring income to build a sustainable business

- Over the years, our Group has been developing and growing predictable and recurring revenues from O&M services, asset returns and membrane sales.
- Operating over 30 water, wastewater, water recycling and desalination plants worldwide, our Group's O&M order book was about S\$2 billion as at the end of 2015. With the successful commissioning of the Tuaspring power plant, our Group has also added power O&M capabilities to its portfolio. As our Group looks to secure more projects worldwide, our O&M order book is expected to increase over the years.
- In addition to its municipal and industrial focus, our Group is building up its consumer segment which will contribute to recurring income. In 2015, our Group acquired a 50 per cent. stake in PT Oasis Waters International, which holds the second largest share of the bottled water and gallon water market in Indonesia. With Indonesia's population size and reliance on bottled water for daily drinking needs, this investment will not only contribute to the future income of our Group but also provide access to an established distribution platform to consumers in Indonesia.

For more information, refer to the sub-section entitled "Business Strategies and Strengths" in the 16th Schedule Section, Part IV, paragraph 9(b) on pages 100 to 105 of the OIS for more information on our Group's business strategies and future plans

- Our Group has recently entered the wellness industry with the introduction of a product line based on highly oxygenated water sold under the ELO brand, further expanding its consumer market portfolio. In line with continuous technological innovation and to promote well-being, the ELO line of water products was founded on more than 10 years of research in water science and technology pioneered by Kaqun Europe Zrt and optimised with our proprietary technology and expertise. Initial anecdotal evidence from individuals who have tried ELO drinking water is very encouraging, and we are embarking on clinical trials to establish stronger statistical evidence of its benefits. By leveraging on our expertise in water, our Group looks forward to bringing continuous innovation to this line of products to improve the well-being of consumers.

Expanding our global footprint

- Our Group currently has more than 1,300 membrane products and systems installed in over 400 locations worldwide. Headquartered in Singapore, our Group has offices set up in the PRC, India, Oman, Saudi Arabia, Algeria, Nigeria and Mexico. Our Group will continue to focus on key target markets in Asia, the MEA and the Americas to seize opportunities for growth.

Trends, Uncertainties, Demands, Commitments or Events Reasonably Likely to have a Material Effect

Accessible, reliable, affordable and sustainable water supplies remain a key global challenge. Population growth, economic development, pollution and depleting water sources have resulted in many regions of the world coming under increasing water stress. With the mounting water scarcity, there is a growing appreciation of the need to better manage resources to ensure a secure water future. Such demand and supply mismatch in the water industry will drive investments in the sector, with a focus on water policy reforms, water efficiency measures and solutions such as desalination and water recycling.

With rapid urbanisation and the growth of megacities, the pressure on the environment, energy resources and sanitation will be tremendous. New opportunities are expected to become available as cities increasingly recognise the need to embrace a sustainable integrated approach to urban development and resource management. Our approach in providing integrated water and power solutions can help cities draw on the synergies between water, energy and waste so that resources and land use can be optimised.

In the last 18 months, our Group has won several projects in the Middle East and Singapore, contributing to its order book which is at a record high of S\$3.7 billion. In 2016, our Group will focus on executing this order book while continuing to pursue projects in the MEA, Americas and parts of Asia. Our Group remains cautious on the outlook for the water and energy market in 2016, amid depressed oil prices, slower economic growth and volatility in the global markets. If the current challenging market landscape of low Singapore electricity prices continues, the Tuaspring power plant is expected to incur losses in 2016. As part of its asset light strategy, our Group will continue to explore divestment opportunities to recycle capital for growth.

Save as disclosed in the OIS, we are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenues, profitability, liquidity or capital resources, or that would cause financial information disclosed in the OIS to be not necessarily indicative of the future operating results or financial condition of our Group in respect of the current financial year.

For more information, refer to the 16th Schedule Section, Part V, paragraph 9 on page 119 of the OIS.

Use of Proceeds

For each dollar of the gross proceeds of S\$300 million we receive from the Offer, we will allocate:

Details of utilisation	S\$ (million)	Allocation for each S\$1.00 of gross proceeds raised (%)
(1) Costs and expenses associated with the Offer and issue of the Securities	3.51	1.17
(2) Repayment of certain outstanding securities ⁵	274.98	91.66
(3) General corporate purposes ⁶	21.51 ⁷	7.17
Total	300.00	100.00

For more information, refer to the 16th Schedule Section, Part IV, paragraphs 2 to 7 on pages 83 to 86 of the OIS

In the event that the maximum issue size of S\$500 million in aggregate principal amount of Securities is issued, for each dollar of the gross proceeds of S\$500 million we receive from the Offer, we will allocate:

Details of utilisation	S\$ (million)	Allocation for each S\$1.00 of gross proceeds raised (%)
(1) Costs and expenses associated with the Offer and issue of the Securities	5.30	1.06
(2) Repayment of certain outstanding securities ⁵	275.00	55.00
(3) General corporate purposes ⁶	219.70 ⁸	43.94
Total	500.00	100.00

KEY RISKS

WHAT ARE THE KEY RISKS OF THIS INVESTMENT?

Investing in the Securities involves substantial risks. Set out below are some of the key risks of investing in the Securities. This list is not exhaustive, and does not represent all the risks associated with, and considerations relevant to, the Securities or your decision to purchase the Securities. The value of the Securities may rise or fall. These risk factors may cause you to lose some or all of your investment.

*For more information, refer to the section entitled “**RISK FACTORS**” on pages 26 to 45 of the OIS.*

⁵ The (i) S\$100 million in aggregate principal amount of 3.50 per cent. outstanding notes due 2016 issued under the Issuer's S\$1,500,000,000 multicurrency debt issuance programme established on 3 July 2008 and updated on 7 January 2016 and the (ii) S\$175 million in aggregate principal amount of 4.80 per cent. outstanding perpetual capital securities.

⁶ Including the repayment and/or refinancing of existing borrowings, redemptions of outstanding perpetual capital securities, financing of working capital and/or capital expenditure requirements of the Issuer or the Group.

⁷ Assuming that S\$230 million in aggregate principal amount of Securities are issued under the Public Offer, S\$20 million in aggregate principal amount of Securities are issued under the Reserve Offer and S\$50 million in aggregate principal amount of Securities are issued under the Placement.

⁸ Assuming that S\$380 million in aggregate principal amount of Securities are issued under the Public Offer, S\$20 million in aggregate principal amount of Securities are issued under the Reserve Offer and S\$100 million in aggregate principal amount of Securities are issued under the Placement.

Business-Related Risks

Business Operations Risks

- Our Group's businesses faces competition from both domestic and international companies. Intensified competition may result in increased costs for land, materials, overheads and increased delays in the approval process for new projects by the relevant government/municipal authorities.
- As a large portion of our Group's business is project-based, our Group's profitability is dependent on its ability to secure new profitable projects. In the event that our Group does not secure adequate new projects, this may have an adverse effect on our Group's business, results of operations and financial condition and prospects.
- The construction and development of projects also entail significant risks, including shortages of materials or skilled labour, unforeseen engineering, environmental or geological problems, work stoppages, litigation, weather interference, floods and unforeseen cost increases, any of which could give rise to delayed completions or cost overruns.
- As our Group derives a substantial portion of its revenue from the MEA region and the PRC, we face risks associated with the conduct of business in the countries in the MEA region and the PRC. For example, there may be limitations in the infrastructure and the financial and legal systems in the MEA region and the PRC which could limit our Group's rate of growth.

Environmental Risks

- Our Group's water business is exposed to environmental risks due to the nature of our operations. For example, the water supplies of our water treatment facilities may be exposed to pollution. Should any such pollution or contamination occur, this could have an adverse effect on our Group's business.
- The environmental laws and regulations of the countries in which our Group supports its clients may require our Group's customers to meet certain standards and impose liability if these are not met. Though our Group is not directly regulated by these environmental laws and regulations, there can be no assurance that our Group's customers or the relevant authorities will not seek recourse from us in the event of non-compliance with such laws and regulations.
- If collection or sewage systems in our Group's wastewater collection, treatment and disposal operations fail, overflow or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages, which may not be recoverable in fees by our Group.

Geopolitical and Economic Risks

- The business of our Group is subject to fluctuations in the economic conditions as well as the regulatory controls in the countries which it has operations.
- Global economic conditions may also impact the availability of funds, which could consequently affect our Group's ability to obtaining financing to fuel growth of its business and/or to refinance existing debt obligations.

Legal, Regulatory and Enforcement Risks

You may not receive distribution payments

- We may, at our sole discretion, elect not to pay any scheduled distribution (or to pay only part of a scheduled distribution) on the Securities. We are not subject to any limits as to the number of times distributions and Arrears of Distribution can be deferred pursuant to the Terms and Conditions, subject to compliance with certain restrictions. Any deferral of distribution will likely have an adverse effect on the market price of the Securities.

You have no right to require redemption

- The Securities are perpetual capital securities and have no fixed redemption date. We are under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale.

The Securities are unsecured and subordinated

- The Securities are unsecured and subordinated. In the event that an order is made or an effective resolution is passed for our Winding-up (as defined in the Terms and Conditions), your rights in respect of the Securities will (subject to and to the extent permitted by applicable law) be subordinated and subject in right of payment to the prior payment in full of all claims of our senior creditors but at least *pari passu* with all our other subordinated obligations that are not expressed by their terms to rank junior to your claims as Securityholder and in priority to (i) our other subordinated obligations that are expressed by their terms to rank junior to your claims and (ii) the claims of our shareholders. In the event of a shortfall of funds on our Winding-up, there is a real risk that you will lose all or some of your investment and will not receive a full return of the principal amount or any unpaid amounts due under the Securities.
- As a result of the holding company structure of our Group, the Securities are structurally subordinated to any and all existing and future liabilities and obligations of our subsidiaries, associated companies and joint ventures, which means that claims of creditors of such companies will have priority over our claims and the claims of our creditors, including your claims.

You have limited remedies for non-payment under the Terms and Conditions

- Notwithstanding any provisions in the Terms and Conditions relating to non-payment defaults, the right to institute Winding-up proceedings is limited to circumstances where payment under the Securities has become due in accordance with the Terms and Conditions and we fail to make the payment when due. Your only remedy against us for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-up proceedings and/or proving and/or claiming in Winding-up in respect of any of our payment obligations arising from the Securities.

Singapore Taxation Risk

- It is not clear whether the Securities will be regarded as “debt securities” by the Inland Revenue Authority of Singapore or whether the distribution payments made under the Securities will be regarded as interest payable on indebtedness for the purposes of the Income Tax Act (Chapter 134 of Singapore) and whether the tax concessions available for “qualifying debt securities” under the qualifying debt securities scheme would apply to the Securities.
- There is no assurance that the Securities will enjoy or will continue to enjoy the tax concessions should the relevant tax laws be amended or revoked at any time.

You may be requested by the Trustee to provide an indemnity and/or security and/or pre-funding to its satisfaction

- In certain circumstances (pursuant to the Terms and Conditions), the Trustee may, at its discretion, request Securityholders (including yourself) to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Securityholders (including yourself). The Trustee shall not be obliged to take any such action if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken, or at all.
- The Trustee may not be able to take action, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Securityholders (including yourself) to take such action directly.

Market and Credit Risks

The market value of Securities may fluctuate

- Trading prices of the Securities may be influenced by numerous factors including our Group’s operating results and/or financial condition, and the operating results and/or financial condition of our associated companies (if any) and joint venture companies (if any), and political, economic, financial and any other factors that can affect the capital markets, the industry and our Group, our associated companies (if any) and our joint venture companies (if any) generally.

An investment in the Securities is subject to interest rate risk

- The Securities are securities which, subject to the Terms and Conditions, pay a fixed distribution amount and upon redemption of the Securities, pay a fixed redemption amount, and may therefore see their price fluctuate due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Securities.
- A rise or fall in interest rates may also affect the applicable Distribution Rate of the Securities. Please see the section entitled “**HOW THE DISTRIBUTION RATE AND THE RESET DISTRIBUTION RATE ARE CALCULATED**” of the OIS.

An Investment in the Securities is subject to inflation risk

- You may suffer an erosion on the return of your investment due to inflation. An unexpected increase in inflation could reduce your actual real rate of return.

Liquidity Risks

There is no prior market for and there is limited liquidity of the Securities

- The Securities are a new issue of securities for which there is currently no trading market. Although approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Securities on the SGX-ST, no assurance can be given that an active trading market for the Securities will develop or, if a market does develop, as to the liquidity or sustainability of such market.
- No assurance can also be given as to your ability to sell the Securities, or the price at which you will be able to sell your Securities.

Other Pertinent Risks

The Terms and Conditions and the provisions of the Trust Deed may be modified

- The Terms and Conditions and the Trust Deed contain provisions for convening meetings of Securityholders to consider matters affecting their interests, including modification by Extraordinary Resolution of the Securities (including the Terms and Conditions) or any provisions of the Trust Deed. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

DEFINITIONS		
4-year SOR	:	The swap offer rate for a period of four years.
16th Schedule Section	:	The section entitled “Sixteenth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005” of the OIS.
Distribution Payment Date	:	27 May and 27 November of each relevant year.
Distribution Rate	:	The rate of distribution.
FY	:	The financial year ended or, as the case may be, ending 31 December.
Group	:	The Issuer, its subsidiaries, associated companies (if any) and joint venture companies (if any) (save in the context of financial information relating to the Issuer, whereby “ Group ” shall mean the Issuer and its subsidiaries).
Increase of Offer Size	:	In the event of oversubscription under the Public Offer and/or the Placement, the Issuer may, at its discretion and in consultation with the Sole Lead Manager and Bookrunner, increase the issue size of the Securities under the Public Offer and/or the Placement, subject to a maximum issue size of S\$500 million in aggregate principal amount of Securities.
Initial 4-year SOR	:	The 4-year SOR on 16 May 2016.
Initial Spread	:	4.20 per cent. per annum.
Issue Date	:	The date of issue of the Securities, expected to be 27 May 2016.
LPD	:	10 May 2016, being the latest practicable date prior to the lodgement of the OIS.
m³/day	:	Cubic metres per day.
MEA	:	Middle East and Africa.
O&M	:	Operations and maintenance.
Offer	:	The offering of up to S\$300 million in aggregate principal amount of Securities at the issue price of 100 per cent., comprising of the Public Offer, the Reserve Offer and the Placement, subject to the Increase of Offer Size, Reallocation and the Right to Cancel.
PATMI	:	Profit after tax and minority interests.
Placement	:	The offering of up to S\$50 million in aggregate principal amount of Securities at the issue price of 100 per cent. to institutional and other investors which are non-U.S. persons, outside the United States in offshore transactions (in each case as defined in Regulation S) in reliance on Regulation S, subject to the Increase of Offer Size and Reallocation.
PRC	:	The People’s Republic of China.
Public Offer	:	The offering of up to S\$230 million in aggregate principal amount of Securities at the issue price of 100 per cent. to the public in Singapore through Electronic Applications (as defined in the OIS), subject to the Increase of Offer Size and Reallocation.
Q1	:	First quarter financial period ended 31 March.
Reallocation	:	The Issuer may, in the event of oversubscription or otherwise, at its discretion and in consultation with the Sole Lead Manager and Bookrunner, reallocate and/or determine the final allocation of the aggregate principal amount of Securities offered between the Public Offer, the Reserve Offer and the Placement, provided always that the aggregate principal amount of the Securities to be issued under the Reserve Offer shall not exceed 10 per cent. of the final issue size of the Securities and in any event shall not exceed S\$20 million in aggregate principal amount of Securities.

Reserve Offer	:	The offering of up to S\$20 million in aggregate principal amount of Securities at the issue price of 100 per cent. in Singapore to the directors, management and employees of the Issuer and its subsidiaries, subject to Reallocation.
Reset Date	:	27 May 2020 and each successive date falling every four years thereafter.
Reset Determination Date	:	The second business day prior to the relevant Reset Date.
Right to Cancel	:	The Issuer reserves the right to cancel the Offer in the event that less than S\$100 million in aggregate principal amount in applications are received under the Offer.
Securityholder	:	A person in whose name a Security is registered (or, in the case of joint holders, the first named thereof, or, as the context may require, an individual investor in the Securities).
SGX-ST	:	Singapore Exchange Securities Trading Limited.
Sole Lead Manager and Bookrunner	:	DBS Bank.
Step-Up Margin	:	2.00 per cent. per annum.
SWRO	:	Seawater reverse osmosis.
Terms and Conditions	:	The terms and conditions of the Securities to be set out in the Trust Deed, the text of which (subject to completion and amendment) is set out in the section entitled “ TERMS AND CONDITIONS OF THE SECURITIES ” of the OIS.
Trust Deed	:	The trust deed to be entered into between (1) the Issuer, and (2) the Trustee, to constitute the Securities and containing, amongst other things, provisions for the protection of the rights and interests of the Securityholders, as amended, varied or supplemented from time to time.

CONTACT INFORMATION

If you have questions, please contact DBS Bank at 1800 111 1111 or 1800 339 6666 (POSB), from the date of this Product Highlights Sheet until 12 noon on 25 May 2016.

Please note that the applicable rules and regulations in Singapore do not allow DBS Bank (including POSB), via the above hotlines, to give advice on the merits of the Offer, the Securities, the Issuer or any other member of the Group or to provide investment, business, financial, legal or tax advice. If you are in any doubt as to what action you should take, please consult your business, accounting, legal, financial, tax or other professional advisers.