VIA EMAIL

8 March 2019

Mr David Gerald
President and CEO
Securities Investors Association (Singapore)
7 Maxwell Road #05-03
MND Building Annexe B
Singapore 069111

Dear Mr Gerald,

RE: HYFLUX RESTRUCTURING

1. We refer to your letter dated 27 February 2019 in respect of the scheme of arrangement proposed by Hyflux dated 21 February 2019 ("**Hyflux Scheme**"). Unless otherwise defined or the context otherwise requires, capitalised expressions used shall have the meanings set out in the Hyflux Scheme.

2. Your letter proposes amendments to the Hyflux Scheme on behalf of the holders of the S$500 million 6.00% perpetual capital securities (ISIN: SG31B4000005) and holders of the S$400 million 8.00% cumulative non-convertible non-voting perpetual class A preference shares (ISIN: SG2D17969577) both issued by Hyflux Ltd ("**Hyflux**") (collectively, the "**Debt Securities Scheme Parties**").

3. We have communicated your proposal to the Unsecured Working Group and the informal steering committee for the Noteholders. Having carefully considered both your letter and their response, we propose making amendments to the Hyflux Scheme which will provide for the Debt Securities Scheme Parties to share, together with the Unsecured Scheme Parties, the upside from contingent liabilities extinguishing or expiring.

4. We will therefore be making the following amendments to the Hyflux Scheme terms:

   (a) the First Contingent Claim Management Payout and Second Contingent Claim Management Payout will be reduced from 20% to 10%.

   This means that when contingent claims under the scheme extinguish over the next two years, 10% of the cash allocated to those extinguished contingent claims will be distributed by Hyflux to the project staff responsible for the extinguishment of those contingent claims. The remaining 90% will go to the Debt Securities Scheme Parties and the Unsecured Scheme Parties.

   (b) the Debt Securities Scheme Parties will receive a *pro rata* share of the Second Unsecured Claim Cash Payout.

   This means that when contingent claims under the scheme extinguish over the next two years, 90% (up from 80%) of the cash allocated to those extinguished contingent claims will be distributed among *both* the Debt Securities Scheme Parties *and* the Unsecured Scheme Parties (rather than just being distributed among the Unsecured Scheme Parties).

The amount to be distributed to each Debt Securities Scheme Parties and the Unsecured Scheme Parties will be in proportion to their respective Accepted Scheme Claims.

(c) the Debt Securities Scheme Parties will receive a *pro rata* share of the Final Unsecured Claim Cash Payout.

This means that at the end of the two year period, when all remaining contingent claims expire, the money that was to be paid out in respect of those contingent claims will be distributed among *both* the Debt Securities Scheme Parties *and* the Unsecured Scheme Parties (rather than just the being distributed among the Unsecured Scheme Parties). The amount to be distributed to each Debt Securities Scheme Parties and the Unsecured Scheme Parties will be in proportion to their respective Accepted Scheme Claims.

5. For avoidance of doubt, the parties to whom the distributions referred to at paragraph 4(b) and 4(c) above will not include the Unsecured Scheme Parties whose Accepted Claims have extinguished and/or expired as of those distribution dates.

6. With regard to these proposed amendments, Hyflux confirms the following:

(a) The $230 million claim by Mitsubishi Heavy Industries, Ltd and its related companies (collectively, "**MHI**") will not be part of the Hyflux Scheme and MHI will not be a Scheme Party;

(b) No member of the present Hyflux board or senior management will receive any part of the First Contingent Claim Management Payout and Second Contingent Claim Management Payout. All of these amounts will only be distributed to the project staff responsible for the extinguishment of the contingent claims.

7. The Hyflux Scheme sought to balance the competing legal and commercial interests of all the Scheme Parties and we hope that the amendments proposed serve to better achieve this.

8. Hyflux would like to express our appreciation to all stakeholders for their patience and willingness to engage with us and consider the proposals throughout this reorganisation process. Thank you for allowing us the opportunity to present a restructuring proposal that we believe is the best available option in all the circumstances.

Yours sincerely,
For and on behalf of the
Board of Directors of Hyflux Ltd

Lim Poh Fong
Company Secretary