

YOUR REF : JL/GUINEYGE/255440
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OUR REF : LIT/BIJ/CKS/22001108

15 September 2020

To: **Hogan Lovells Lee & Lee**

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BY EMAIL ONLY

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Dear sirs,

APPLICATIONS FILED WITH THE HIGH COURT OF THE REPUBLIC OF SINGAPORE BY HYFLUX AND CERTAIN OF ITS SUBSIDIARIES PURSUANT TO SECTION 211B(1) OF THE COMPANIES ACT (CAP. 50) (THE "RESTRUCTURING")

1. We refer to:
 - (a) the Pison IM;
 - (b) your letter to us dated 5 August 2020 ("HLLL 5 August Letter");
 - (c) our letter to you dated 5 August 2020;
 - (d) your letter to us dated 6 August 2020 ("HLLL 6 August Letter");
 - (e) our first letter to you dated 7 August 2020 ("CNP 7 August Letter One");
 - (f) our second letter to you dated 7 August 2020;
 - (g) your letter to us dated 12 August 2020 ("HLLL 12 August Letter");
 - (h) our letter to you dated 13 August 2020 ("CNP 13 August Letter");

- (i) Pison's letter to each lender of the Unsecured Working Group dated 14 September 2020 enclosing a draft offer letter ("**Pison 14 September Letter to UWG**");
 - (j) our first letter to you dated 14 September 2020 ("**CNP 14 September Letter One**");
 - (k) our second letter to you dated 14 September 2020 enclosing the Pison 14 September Letter to UWG; and
 - (l) your letter to Pison dated 14 September 2020 ("**HLLL 14 September Letter to Pison**").
2. Any capitalised terms used in this letter shall have the meaning given to it in the Pison IM and the letters above unless otherwise defined herein.

Breach of the Legal Profession (Professional Conduct) Rules 2015

3. We refer to the HLLL 14 September Letter to Pison addressed to our client, Pison.
4. You are fully aware that Pison is represented by us, CNPLaw LLP. Despite this, you have written directly to our client requesting that our client refrains from contacting the lenders of the Unsecured Working Group on an individual basis. For reasons set out below, our client has the right and credible cause to reach out to the Unsecured Working Group members. You went further by deliberately and blatantly requesting from our client KYC information, detailed corporate structure diagrams and documents. This is unacceptable conduct.
5. We trust that you know your obligations under rule 7(3) of the Legal Profession (Professional Conduct) Rules 2015 which prohibit you from contacting our client directly without our consent, except in certain specific and exceptional circumstances, none of which applies in this instance.
6. Our client's instructions are to notify you to refrain from communicating with our client, making requests for documents from our client and direct all communications to our client to us. We trust that you will take heed of our request.
7. We now turn to address the matters raised in the HLLL 14 September Letter to Pison.

The HLLL 14 September Letter to Pison

8. We have explained to you why our client decided to reach out to the members of the Unsecured Working Group through the Invitation Advisor in the CNP 14 September Letter One. For your ease of reference, we set out the relevant paragraphs below:

"4. *We have in the CNP 7 August Letter One provided you with the relevant KYC information requested in the HLLL 6 August Letter and you have in your HLLL 12 August Letter indicated that you will be responding to us with regard to further KYC information that may be required by your clients. In our CNP 13 August Letter, we stated that we would be happy to provide any further relevant KYC information as may be required by the Unsecured Working Group and that we looked forward to hearing from you without delay*

as to the further KYC information that may be required by your clients. It has been more than a month since then and we have not heard further from you.

5. *We have also in our letters to you expressed our client's willingness to engage in discussions with your clients (including proposing a meeting via Zoom with your good office and Borrelli Walsh together with any lenders of the Unsecured Working Group) and to explore ways to move things forward. For reasons we do not fully comprehend, your clients were not willing to meet or engage with our client.*
6. *In view of the above and the lack of progress despite our clients' efforts to reach out to the Unsecured Working Group through your good office and Borrelli Walsh, our client has decided to reach out directly to the members of the Unsecured Working Group through the Invitation Advisor with a written proposal to move things forward. We will let you have a copy of such correspondence separately."*
9. In paragraph 2.1 of the HLLL 14 September Letter to Pison, you stated that our client's contacting the members of the Unsecured Working Group *"is counterproductive and only serves to delay negotiations and increase costs for all parties."* Our client respectfully disagrees. There are no on-going negotiations as you or your clients have not attempted to engage with our client. It was because of the delay and lack of progress that our client reached out to the Unsecured Working Group with a proposal regarding the purchase of their Eligible Debt.
10. The Pison 14 September Letter to UWG was addressed to the Unsecured Working Group members and Pison is ready, able and willing to discuss and/or negotiate directly with them. However, as it appears from the HLLL 14 September Letter to Pison that the Unsecured Working Group members wish to negotiate through your office, our client will oblige and wishes to communicate to your clients Pison's continued willingness to engage directly, if they or any of them should change their minds.
11. We are puzzled that in paragraph 3.1 (b) to (e) of the HLLL 14 September Letter to Pison you wrote to our client in response to the Pison 14 September Letter to UWG requesting KYC documents, which are the subject matter of the exchange of correspondence between our respective firms in the HLLL 6 August Letter, the CNP 7 August Letter, the HLLL 12 August Letter and the CNP 13 August Letter.
12. We had very promptly in the CNP 7 August Letter provided your clients with the relevant KYC information requested in the HLLL 6 August Letter.
13. In the HLLL 12 August Letter, you informed us that your clients are considering the responses provided in the CNP 7 August Letter but said your clients' instructions are to inform us that *"Pison's KYC information remains unsatisfactory"* and that you *"will revert separately on these issues."*
14. We immediately responded to the HLLL 12 August Letter in the CNP 13 August Letter where we expressed that *"we will be happy to provide any further relevant information as may be required by the Unsecured Working Group"* and stated that *"we look forward to hearing from you without delay as to the further KYC information that may be required by your clients."*

15. Your clients have remained silent on the further requests for KYC documents and did not explain why the KYC information received from Pison remained unsatisfactory.
16. Your clients had not requested any further KYC document for more than 5 weeks since the CNP 7 August Letter. Now your clients are requesting KYC documents and requiring a response in three (3) days? Our client is perplexed by the unreasonable requests. Your clients are fully aware that the sole shareholder of Pison is Mr Johnny Widjaja, who resides in Jakarta (and is unable to travel due to the current COVID-19 pandemic) and will require time to certify true copies of his passport and proof of residential address before suitable certifiers (as set out in Schedule 1 of the HLLL 14 September Letter to Pison) and despatch that to Singapore. However, it appears that certifiers from Indonesia would not be recognized by your clients? The intentional roadblocks thrown at Pison are revealing.
17. Our client is also surprised at the indifference the Unsecured Working Group has shown.
18. First, in paragraph 3.1(a) of the HLLL 14 September Letter to Pison, it appears that your clients have not read the 14 September Pison Letter with the enclosed draft offer letter because if they did, they would have seen that there is a proposal regarding Pison dealing with the Unsecured Working Group as a group and setting out certain terms including a price, payment structure and dealing with KYC matters.
19. Secondly, you have, in paragraph 3.1(c), requested information we have already provided to you in Annex 1 of the CNP 7 August Letter One. The request for certified true copy of certain documents in paragraph 3.1(d) and (e) are requests your clients could have easily asked for in response to the CNP 7 August Letter One more than 5 weeks ago.
20. Thirdly, we would remind you that we circulated an invite via DBS (in its capacity as agent under the RCF Agreement) to the RCF Lenders requesting for a Townhall Meeting via Zoom on 5 August 2020 at 4:00pm Singapore time where the purpose was for Pison's Mr. Johnny Widjaja to meet and speak to the RCF Lenders and for the Invitation Advisor to walk through the Pison IM and deal with any questions the RCF Lenders may have. You had, in the HLLL 5 August Letter, stated that the Unsecured Working Group maintains its position that the Hyflux group has no viable and binding restructuring plan notwithstanding the Pison IM, and hence, the Unsecured Working Group and its advisors will not be attending the Townhall Meeting. Suffice to say, the Townhall Meeting did not proceed. The unwillingness of your clients to even meet Pison and its shareholder Mr Johnny Widjaja despite an open invitation to do so is bewildering.

Change of Events

21. Events have since superseded our exchange of correspondence in August 2020. Since then, our client has progressed with the Invitation Memorandum. Our client wishes to inform you that on 31 August 2020 a town hall meeting for the Noteholders via Zoom was arranged with more than 40 Noteholders attending. Mr Johnny Widjaja was able to address the Noteholders and the invitation Advisor explained the terms of the Invitation Memorandum and dealt with questions from the Noteholders.

22. The responses to date from Eligible Creditors to the Invitation Memorandum have been very encouraging. The Invitation Advisor has received a total of 158 Tender Application Forms, which is a significant portion of Eligible Creditors. There are Tender Application Forms received from Eligible Creditors with a quantum of Eligible Debt larger than what some members of the Unsecured Working Group hold. These Eligible Creditors must have considered the terms of the invitation Memorandum and found the terms acceptable, and Pison credible.
23. Our client once again reiterates its willingness to engage with the Unsecured Working Group. Your clients will note in the Pison 14 September Letter to UWG that our client has taken into account your clients' concerns for KYC information in the draft offer letter enclosed therewith. Please do encourage your clients to read the Pison 14 September Letter to UWG with the enclosed draft offer letter which our client has spent considerable time to put together for the Unsecured Working Group. If they have questions, we would be happy to help address them.
24. Our client strongly believes that the proposed invitation as set out in the draft offer letter enclosed with the Pison 14 September Letter to UWG is the most credible proposal on the table as it represents a markedly higher and faster rate of recovery for the Unsecured Working Group as compared to a liquidation scenario (which may be a likely result of the Hyflux group being put under judicial management). In a liquidation scenario, the estimated recovery for senior unsecured creditors of Hyflux is projected to be between 2.8% and 6.1% of their debt based on Ernst & Young's Liquidation Analysis dated 15 January 2020. Furthermore, in a liquidation scenario, based on the aforesaid Ernst & Young's Liquidation Analysis, returns to the senior unsecured creditors of Hyflux could take up to five (5) years to realise.
25. In contrast, under our client's proposed invitation, the debt of senior unsecured creditors is to be tendered for a discount of not less than 91% (i.e. 9%) of the Offered Debt, or in the event that all the members of the Unsecured Working Group tender their Offered Debt under the terms of the aforesaid offer letter (in which case our client may accept all, and not some only, of the offers), for a discount of 91.9% (i.e. 8.1%) of the Offered Debt. Furthermore, under the terms of our client's proposed invitation, the Long Stop Date for payment of the full amount of funds in respect of the accepted non-contingent debt is stated to be 23 October 2020. This represents a time period for full realization of returns under seven (7) weeks from the date of this letter, assuming our client is provided with an acceptable offer letter by 22 September 2020 and the conditions of the offer letter are met.
26. In view of the above, our client's hope is that the matter can move forward while our client seeks to provide the additional KYC information requested. With regard to the original Bank Mandiri Letter, it remains open and available for your clients' representatives and/or your inspection at our office by appointment.
27. In the meantime, all our rights and our client's rights are hereby expressly reserved.

Yours faithfully,



CNPLAW LLP

cc. client

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