



448 West 37th Street Penthouse A
New York, NY 10018

By Email Only

October 12, 2020

To: Board of Directors
Hyflux Ltd
80 Bendemeer Road
Singapore 339949

Attn: Ms. Olivia Lum

RE: **Formal Expression of Interest**

Dear Board Members,

Strategic Growth Investments LLC ("SGI", "we" or "us"), a Delaware limited liability company, private investment firm based in New York, New York, USA is pleased to advise Hyflux Limited (the "Company", or "Hyflux") of SGI's interest in a negotiated transaction with the Company (the "Investment"). We set out in this letter, the financial aspect of our proposed investment in the Company. If the financials are acceptable in principle to the Company and its creditors, then we will immediately work on the terms and conditions of the Investment.

Our interest in the Investment is based on the following proposal:

I. Consideration

- a. SGI is prepared to invest in the amount of S\$204.78 million or more, as needed, structured as newly issued common equity in the Company to be applied in the manner set out in subparagraph b below.
- b. The above capital investment is to be used only as follows:
 - i. Settlement of all debts, claims, liabilities, contingent and/or provisional liabilities of the Company and its group of companies including related companies ("the Group") on terms acceptable to SGI, including but not limited to:
 - 1. S\$97 million to be paid at close to the Senior Unsecured Creditors on a pro-rata basis;
 - 2. S\$15.78 million to be paid at close to the Trade creditors of the Group on a pro-rata basis; and,

3. S\$32 million to be paid at close to the Perpetual Capital Securities and Preference Shares Securities ("PnP") holders on a pro-rata basis.
- ii. S\$60 million for working capital of the Company and financing any future Corporate Restructuring based on the Value Creation Plan designed and implemented in close collaboration with SGI, our advisors The Spectrum Solutions Group ("TSSG"), and the Company's Management team, then approved by the Board.
- iii. Other purposes as deemed necessary by SGI and the Company, then approved by the Board
- c. SGI is also prepared to offer up to 15% of the equity in the Company post-Investment in the form of warrants with 5% of the equity going to the Senior Unsecured Creditors and 10% going to the PnP holders.
 - i. With the assumption of the successful implementation of SGI's Value Creation Plan, the value of the equity warrants are estimated as follows:

	7 Year	8 Year	10 Year
Senior Unsecured	S\$88.3 mm	S\$108.7 mm	S\$196.7 mm
PnP	S\$176.7 mm	S\$217.3 mm	S\$393.3 mm

- d. We require legal, financial, and tax due diligence to ensure the proper process is implemented.
- e. SGI expects Board representation and voting rights on a fully converted basis.

II. Structure and Financing

- a. We have received approval from our investment committee to structure and negotiate a comprehensive term sheet outlining our investment structure, implementation of our Value Creation Plan, and other required terms and conditions.
- b. We have established sources of financing from several family offices based in the U.S. and abroad and several large Asian institutional investors that serve on our investment committee. We are not contemplating debt financing for the Investment.

III. SGI and our Investment Thesis

- a. SGI's principals have invested in, owned, and created value for various companies across several verticals, including Technology, Industrials/Manufacturing, Infrastructure, and Energy. SGI operates as a holding company of leading businesses and works collaboratively with management teams to share our operational practices from the successful businesses we have partnered with.
- b. SGI seeks to help the Company with its corporate restructuring strategy and to grow the Company's market share across the various markets and industries in which the Company

competes, by leveraging SGI's global business relationships and operational best practices.

- c. SGI is a hands-on active investor but as part of our investment philosophy, we do not wish to take operational control. Rather, we are interested in collaboratively advising, supporting, and enabling a management team and in providing the Company the opportunity at hand with investment capital, strategic guidance, and operational expertise.
- d. The Company has a solid reputation as an industry veteran and a strong track record in delivering sizable projects globally. SGI's investment thesis is to build upon this base and transform the Company into a clean tech EPC market leader by leveraging technical innovation and brand value, to capture market share and achieve profitable growth. To achieve this vision, SGI has crafted a Value Creation Plan that consists of driving revenue through specific sales and marketing initiatives, establishing a platform for profitable growth, cultivating innovation, and increasing reach in global markets.

IV. Due Diligence and Approvals

- a. After engagement with the Company and representatives of all relevant creditors and stakeholders to explain our proposal and our plans to turn around the Company and being convinced that our proposal with such modifications as may be agreed is positively received, we will again present the investment proposal to our investment committee for final approval. Immediately on receipt of final approval, we will submit a detailed term sheet, including material terms and conditions for a negotiated transaction. With the co-operation and engagement of the Company and the different stakeholders, we reasonably expect to complete the aforementioned process within the next 8 to 10 weeks.
- b. We may request more data including, but not limited to, detailed historical financials, projections, and agreements among other diligence items as outlined in any due diligence request that we would submit in connection with the Investment.

V. Conditions

- a. Our Investment proposal is based on the following conditions:
 - i. We require an in-principle support of our proposal from the Company;
 - ii. All stakeholders reaching a consensus and support of a full and final settlement including, but not limited to, the Senior Unsecured Creditors, PnP holders, the ordinary shareholders, and the Company. A negotiated agreement with the financial, accounting, restructuring and legal advisors of all stakeholders on their claims against the Company for fees and disbursements on terms acceptable to us.
 - iii. The terms of the final agreements and documents referred to in paragraph IV being concluded and signed by all relevant parties including the Company. The proposal herein shall not be considered an offer for acceptance by the Company or any other party nor shall it be deemed to create any legal obligation of any kind to any of the parties.

VI. Contacts

- a. Should you have any questions about this formal expression of Interest, please contact:

Edward Y. Chang at (+65) 9895-7737 or via email at eychang@tssgusa.com

Thank you for the opportunity to pursue this transaction. We look forward to your response to our Proposal and to working with you toward the next steps. Your prompt response to our proposal would be appreciated so that we may coordinate quickly with the key stakeholders.

Strategic Growth Investments, LLC

By: 

Michael Hong
Chief Investment Officer

Parties below have been copied via separate emails:

Borelli Walsh (Mr. Cosimo Borelli / Mr. Jin Low)

Hogan Lovells Lee & Lee (Ms. Guiney Genevieve)

SIAS (Mr. David Gerald / Mr. Richard Dyason)

PwC (Mr. Vishal Thapliyal / Mr. Chew Mun Kam)

Drew and Napier (Ms. Blossom Hing / Mr. Benjamin Foo)

FTI Group (Mr. Rod Sutton / Ms. Ellyn Tan)

Akin Gump Strauss Hauer & Feld (Ms. Naomi Moore)