STRATEGIC
GROWTH
INVESTMENTS

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

By Email Only

13 November 2020

To: Ms. Olivia Lum
        Group Chief Executive Officer
        Hyflux Ltd
        80 Bendemeer Road
        Singapore 339949

RE: **Clarifications to the Term Sheet dated 10 November 2020**

Dear Olivia,

We refer to the Term Sheet from SGI dated 10th November 2020, which documented the terms for a negotiated transaction to acquire Hyflux and its affiliated companies. We understand the Term Sheet has been distributed to the relevant Stakeholders. As the next court hearing date is scheduled for 16th November 2020, SGI would like to clarify a few points:

1. **We re-iterate the transaction's cash component.** In the Term Sheet, we have identified the proposed settlement amounts to the Senior Unsecured Creditors, the PNP and the Trade Creditors. The agreed upon amounts will be transferred to the Stakeholders upon the completion of the transaction.

2. **Key Milestones and Letter of Intent.** Section 15 of the Term Sheet describes our intent to consummate a transaction as soon as commercially practical and the nature of our binding Letter Of Intent ("LOI"). We have observed that previous "Letters Of Intent" by other Hyflux suitors more closely resembled "Expressions Of Interest" that lacked specifics. In our opinion, those previous letters did not indicate serious intent and are fundamentally different from our LOI. For avoidance of doubt, SGI's LOI will be a definitive, binding document with all the commercial terms clearly documented.

    a. SGI anticipates the LOI to be executed within 60 days from today presuming successful and timely negotiation on all outstanding matters with the key Stakeholders.

    b. SGI's LOI shall include all final commercial terms for the transaction with resolution of all outstanding matters including that of the historical advisor fees and going forward advisory fee budget.

    c. SGI shall provide Source of Fund documentation upon the execution of the LOI by all key Stakeholders and begin drafting of all final closing documents. The final close is anticipated within 60 days of LOI execution.

SGI cannot submit a binding offer without knowing whether the commercial terms have been accepted by the Stakeholders. We must have a definitive understanding of the total transaction outlay and other material terms to be undertaken by SGI.

3. **For the avoidance of doubt, SGI <u>will not</u> continue with the transaction should Hyflux enter into Judicial Management.** While this was not explicitly stated in the Term Sheet, the Pre-Conditions for the transaction outlined under Section 13 implies that the transaction will not be possible should Hyflux enter into Judicial Management.

   Our reasons are provided below:

   a. The Judicial Management process will likely result in a prolonged timeline. We are unwilling to spend additional time and resources, incurring additional advisory fees in a protracted transaction process.

   b. The Judicial Management process will most likely result in increased hostilities amongst the different Stakeholders, leading to bad publicity and additional complications. Our LPs will not want to be involved in a transaction that will only add risk and complexity.

   c. The Judicial Management process will cause a great level of uncertainty regarding the continuity of existing management. Our Value Creation Plan requires the continuity of key management, especially for busines development purposes, and to work 'hand-in-hand' with the new CEO that SGI will be bringing in.

In closing, we again extend our most sincere intention to come to an agreement on the Term Sheet so that we can take the next step to achieve a finalized transaction. SGI believes we have provided the most compelling proposal to date and a clear path towards transaction closure. Thus, we would appreciate a clear, unequivocal indication from Hyflux on their support of SGI as the preferred investor for this transaction.

Thank you again for the collaborative efforts and continued candor during this process.

Strategic Growth Investments, LLC

By: _____

Michael Hong
Chief Investment Officer