



HYFLUX LTD

Company Registration No.: 200002722Z

(Incorporated in the Republic of Singapore)

UPDATE ON REORGANISATION PROCESS

We refer to the Business Times article dated 22 January 2019. The Company wishes to address certain matters that have been speculated upon in the article.

The article quoted some of the Company's Chief Financial Officer's comments at the town hall meeting on Friday, 18 January 2019 relating to Tuaspring.

The Company would like to clarify that while there were preliminary confidential discussions with certain interested parties in relation to a potential divestment of Hyflux's interest in Tuaspring in early 2018, no formal or binding offers were actually received from any party. Any indicative numbers discussed by interested parties were purely in the context of exploratory discussions and were based on a valuation of Tuaspring derived from a financial model of future cash flows for the project as developed by an independent consultant at that time and prior to the completion of any due diligence or negotiations with such interested parties.

The Company did continue to engage with these and other interested parties during the 6-month moratorium, which afforded breathing room for the Company to run another divestment process in collaboration with the sole secured lender to Tuaspring, Maybank.

During this divestment process, the sole bid yielded from the two parties that were pre-qualified by the regulatory authorities to submit binding offers was still subject to conditions and even if those conditions could be met, the bid would not have been sufficient to pay in full the secured bank debt owing to Maybank. The relevant deadlines under the collaborative divestment agreement with Maybank have been extended so if any interested party in Tuaspring makes an offer, the board will assess it. To- date, no other offers have been received.

The article also suggested uncertainty over the value of the Company's equity in the event that the investment contemplated under the Restructuring Agreement executed between the Company and the Investor on 18 October 2018 is effected.

As explained in the Company's announcement dated 18 October 2018 in respect of the Restructuring Agreement, in particular, paragraph 3.5, the investment contemplated thereunder is subject to certain conditions precedent, including the full and final settlement, discharge and/or redemption of the Company's financial obligations through the sanction of a Scheme of

Arrangement. An assessment of the value of the Company's equity in the event that the contemplated investment is effected would therefore be on the basis of a debt-free (save for the intended S\$130m loan to be made by the investor) Company with a fresh injection of funds for rejuvenating the business and operating from the larger platform afforded by the investor, SM Investments Pte Ltd. Further, the relevant information for stakeholders to make an informed decision on whether to accept the intended Scheme of Arrangement such as the likely returns in the alternative, where the Scheme of Arrangement is not implemented and there is no investment by SM Investments Pte Ltd, will be disclosed at the time the Scheme of Arrangement is proposed.

As highlighted in the Company's announcement dated 23 November 2018, shareholders and holders of the securities of the Company are advised to be wary of any articles or reports published during the interim period that seek to suggest the terms of the intended Scheme of Arrangement. Such articles and reports are speculative and should be treated accordingly. The shareholders and holders of the securities of the Company are advised to disregard all media speculation and only rely on what is announced.

BY ORDER OF THE BOARD

Lim Poh Fong

Company Secretary

Submitted to SGX-ST on 28 January 2019