

Our Ref: UT/HYF-PP/2020/10/09

Date: 9 October 2020

To: Hyflux Ltd
80 Bendemeer Road, Hyflux Innovation Centre
Singapore 339949
For the attention of: Board of Directors

Cc: Hogan Lovells Lee & Lee
(For and on behalf of the UWG)

Akin Gump Strauss Hauer & Feld, Akin Gump Strauss Hauer & Feld LLP
(For and on behalf of the MTN Holders)

Allen & Gledhill LLP
(For and on behalf of DBS Bank Ltd.)

Drew & Napier LLC
(For and on behalf of SIAS)

Dear Sir / Madam

Re: P&P Virtual Townhall/ SIAS Letter

We refer to the SIAS letter of 7th October 2020(attached) and our Press Release of 2nd October and sent to you on 4th October, and therein our request for a Virtual Townhall with P&P to be arranged by Hyflux as the obligor.

We therefore request that the virtual Townhall is set for 10th October as requested at 4pm or alternatively on 11th October 6pm Singapore time. A holiday will give more people time to attend.

We also note that SIAS has got few responses to their letter to P&P of 25th September which was based on Utico offer of July 23rd 2020. However, those who chose to respond, majority have accepted Utico proposal. Others have put a condition that any offer that releases Hyflux directors will not be accepted. Our July 23rd 2020 offer does not release the Hyflux Directors, hence it is also deemed as accepted.

Since Utico is the only party to have conducted 2 townhalls for P&P holders, which was attended by over 450 to 500 persons and the other by about 50 to 70, the result has always been the same. Majority respondents/ participants have accepted Utico proposal. This includes the August 2019 Townhall, where 78% accepted Utico offer to P&P. In the January 2020, majority voiced support for Utico proposal if Utico increases its shares offered from 4% as originally offered. Utico and its advisors at the Townhall analysed that a majority of 80 to 85% of the P&P attendees supported Utico proposal. The recent October letter of 2020 though only 9, 89% of them have accepted the Utico offer.

Hence it is obvious that the P&P have accepted our proposal in all three attempts. It is also obvious that the P&P are now giving up on the Hyflux management to give them a bonafide outcome and also that they are not hearing their voice. The representative sample sizes are important indicators.

Most importantly the P&P have accepted a Utico proposal with a Higher recovery and not any other offer with lower recovery.

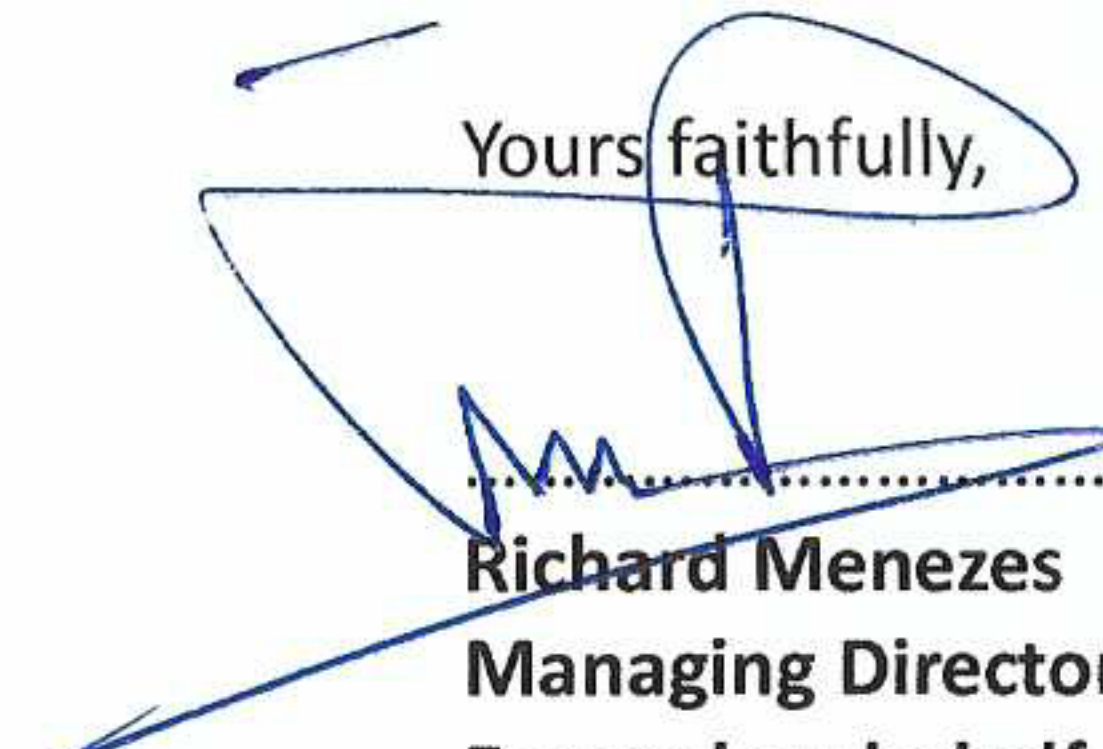
We therefore re-affirm our offer to P&P which gives them a Higher recovery and look forward to meet them in the Virtual Townhall on 10th or 11th October 2020, to be arranged by Hyflux.

We request Hyflux to arrange the virtual townhall which it has avoided to hold including the one in January 2020 and which it did not announce on SGX even with Utico and SIAS requests. Kindly arrange this townhall as requested and announce it on SGX today please.

We also note from the recent Hyflux affidavit, it states Pison has made an offer to P&P. This is contrary to SIAS letter of 7th October 2020. This may also be explained.

This letter and any dispute or claim arising from or in connection with this letter, shall be governed by, and construed in accordance with, the laws of Singapore.

Yours faithfully,


Richard Menezes
Managing Director
For and on behalf of
UTICO FZC





Date: 7 October 2020

Utico FZC
P.O. Box 54527
RAK, UAE

Attention: Mr. Richard Menezes

Hyflux Ltd
Hyflux Innovation Centre
80 Bendemeer Road
Singapore 339949

Attention: The Board of Directors

Dear Sirs,

RESTRUCTURING OF HYFLUX LIMITED

1. SIAS refer to:
 - (a) Utico FZC ("**Utico**") letter to Hyflux Limited ("**Hyflux**") dated 23 July 2020 which, among other things, set out the terms of Utico's revised binding offer (the "**July Proposal**");
 - (b) Utico's letter to Hyflux dated 9 September 2020 which, among other things, set out the terms of a proposed revised cash offer to the holders of Hyflux's 6.00% perpetual capital securities (ISIN: SG31B4000005) and the S\$400,000,000 8.00% cumulative non-convertible non-voting perpetual class A preference shares ("**P&P Holders**") (the "**September Proposal**");
 - (c) an email from Hyflux's solicitors, Clifford Chance Asia ("**CC**"), to our solicitors, Drew & Napier LLC ("**DN**"), dated 14 September 2020 requesting that we accede to Utico's request of obtaining feedback from the P&P Holders on the September Proposal;
 - (d) Utico's letter to Hyflux dated 30 September 2020;
 - (e) Hyflux's letter to Utico dated 1 October 2020;
 - (f) Utico's press statement dated 30 September 2020, which we received on 4 October 2020 ("**Press Statement**"); and
 - (g) Hyflux's letter to Utico dated 5 October 2020.

Response to Utico's Press Statement

2. The Press Statement contains a number of inaccuracies which SIAS would like to correct.
3. First, Utico's statement that SIAS has failed to "*recognize [Utico's July Proposal] as the sole binding offer*" is incorrect. In its email dated 25 September 2020 which was sent to more than 1000 P&P Holders who have registered with SIAS as having an interest in receiving communications from SIAS in relation to Hyflux's debt restructuring exercise, SIAS has expressly recognized that Utico remains the only investor with an offer to the P&P Holders. SIAS has also

stated on a number of other occasions that only Utico has made an offer to the P&P Holders. See, for example, Mr. Gerald's commentary published in the Business Times on 27 July 2020. That said, SIAS reiterates that its concerns on Utico's July Proposal, which were highlighted in SIAS' press release dated 19 July 2020 have not been satisfactorily addressed and SIAS urges Utico to address them promptly.

4. Second, insofar as Utico is suggesting that SIAS has not advised the P&P Holders in relation to the restructuring, that is also inaccurate. SIAS's communications to P&P Holders in relation to the restructuring have been set out in various press statements released on its website, for example on 4 February 2020, 12 March 2020 and 28 May 2020. In its 25 September 2020 email to P&P Holders, SIAS has set out a summary of Utico's previous and current proposals and as requested by Utico and Hyflux, SIAS has also asked P&P Holders for feedback on Utico's current proposal. A copy of the 25 September 2020 email is attached for your information.
5. As at 2 October 2020, the deadline for P&P Holders to respond to SIAS' email, SIAS received a total of 9 responses. A brief summary of the responses received is set out below:
 - (a) 4 of the 9 respondents indicated that they were Small P&P Holders (as defined in Utico's letter dated 23 July 2020), the remaining 5 respondents did not indicate if they were Small P&P Holders or Large P&P Holders (as defined in Utico's letter dated 23 July 2020;
 - (b) 3 of the 4 Small P&P Holders who responded indicated support for the July Proposal; and
 - (c) none of the respondents indicated support for the September Proposal.
6. Due to the very low level of responses received, the feedback received from the P&P Holders should not be taken as being indicative, much less representative, of the P&P Holders' collective views on the July Proposal and/or September Proposal.
7. In addition to the responses received from the P&P Holders to SIAS' email, 2 members from the P&P Informal Steering Committee ("ISC") reiterated that they would not support any scheme which contained a clause releasing Hyflux's directors from liability after the scheme is sanctioned. In this regard, SIAS urges Hyflux to reconsider its position on the inclusion of such a clause in the scheme of arrangement to be proposed to its creditors.
8. Third, insofar as Utico is suggesting that SIAS is "*waiting for Pison and Aqua Munda offer*" to the exclusion of other offers, including Utico's, that is incorrect. With regard to Aqua Munda and Pison, SIAS's position is that it is in the interests of the P&P Holders if more investors come forward with proposals for the P&P Holders. SIAS has therefore urged other investors, including Aqua Munda and Pison who have both expressed an interest to make an offer to the P&P Holders to do so at the earliest opportunity so that P&P Holders can consider the various offers put before them.
9. Fourth, insofar as Utico is suggesting that because SIAS has not endorsed its offer for the P&P Holders and therefore "*remain[s] non-committal*" towards the restructuring, that is incorrect. As SIAS has stated on a number of occasions, including its press statement dated 30 July 2020 (see: <https://sias.org.sg/latest-updates/press-statement-sias-does-not-endorse-any-deal-calls-on-utico-to-put-proposal-acceptable-to-all-creditors/>), SIAS does not intend to "*endorse [Utico's offer]*" based on its current terms. As explained in SIAS' press statement dated 30 July 2020:



“... SIAS’ role is to facilitate communication between the relevant stakeholders and the P&P Holders, and to provide information to P&P Holders on the various offers made so as to enable the P&P Holders to make an informed decision when deciding whether to support any offer made by Utico, or any other potential investor. It does not intend to endorse Utico’s offer, or any of the other offers made by other potential investors such as Aqua Munda or Pison Investments based on the current terms.”

Proposed virtual townhall by Utico

10. As time is of the essence, SIAS would suggest that the virtual townhall proposed by Utico be organized by Utico and/or Hyflux as they would be in the best position to efficiently work out the agenda and logistical details of the proposed virtual townhall. Hyflux may then wish to release an announcement on the SGX-ST to inform P&P Holders of the proposed virtual townhall.
11. SIAS is of course committed to assisting the P&P Holders and would be happy to help notify by email the P&P Holders who have registered with SIAS as having an interest in receiving communications from SIAS in relation to Hyflux’s debt restructuring exercise of the proposed virtual townhall once Utico and/or Hyflux provides details of the same.
12. Thank you.

David Gerald
Founder, President & CEO
SIAS

From: SIAS <admin@sias.org.sg>
Sent: 25 September 2020 7:42 PM
To: richardcd@sias.org.sg
Subject: Hyflux Update No 6 - 25 September 2020

Dear P&P Holders,

1. Hyflux's restructuring exercise has been ongoing for more than two years now. During that time, SIAS has worked to further the interests of the holders of Hyflux's 6.00% perpetual capital securities (ISIN: SG31B4000005) and the S\$400,000,000 8.00% cumulative non-convertible non-voting perpetual class A preference shares ("**P&P Holders**"), and to ensure that information and analyses on the various restructuring proposals (to the extent that such information is not subject to confidentiality obligations) is provided to P&P Holders in a timely manner. For details, you may wish to refer the press releases made by SIAS on Hyflux's restructuring exercise at <https://sias.org.sg/latest-updates-category/press-release/>, a list of SIAS' press releases is set out at the attached Annex A.
2. We are now at a critical juncture in Hyflux's restructuring exercise:
 - (a) on the one hand, Utico FZC ("**Utico**") has revised the terms of its restructuring proposal to P&P Holders on 23 July 2020 (the "**July Proposal**") to restructure Hyflux's debts and on 9 September 2020, further revised those terms (the "**Sept Proposal**") again; and
 - (b) on the other hand the Unsecured Working Group ("**UWG**") has filed an application for judicial managers ("**JMs**") to be appointed over Hyflux and Hydrochem.
3. The purpose of this email is to:
 - (a) summarise the terms of the July Proposal and the Sept Proposal and seek the P&P Holders' views;
 - (b) set out the positions of the other investors vis-à-vis P&P Holders; and
 - (c) provide some details regarding the UWG's JM application.

B. Utico's July Proposal

4. Broadly, Utico's July Proposal to the P&P Holders is as follows:
 - (a) P&P Holders holding less than \$10,000 in principal of P&P debt ("**Small P&P Holders**") will receive a cash payment equal to the lesser of:
 - (i) S\$1,500 and
 - (ii) 50% of the aggregate principal amount of P&P debt held by such holder ("**P&P Cash Payment**")

The P&P Cash Payment will be capped at S\$28 million. There is no indication as to when the P&P Cash Payment will be made.
 - (b) P&P Holders holding \$10,000 or more in principal of P&P debt ("**Large P&P Holders**") will receive such number of non-voting shares of Utico ("**Utico Shares**") and ordinary shares of Hyflux ("**Hyflux Shares**") equal to:

- (i) 5% of Utico's total issued share capital; and
- (ii) 12.5% of Hyflux's total issued share capital,

less such number of Utico Shares and Hyflux Shares representing in aggregate and in value the P&P Cash Payment ("**P&P Share Consideration**").

The Hyflux Shares will be freely tradeable on the Singapore Exchange Securities Trading Limited ("**SGX**") (assuming that Hyflux continues to remain listed on the SGX), and the Utico Shares will be tradable upon the initial public offering of Utico on a recognized exchange.

The P&P Share Consideration will be issued on the date of completion of the Restructuring (see Clause 5 of the Restructuring Agreement dated 26 November 2019, which is annexed to the Explanatory Statement and available at: <https://www.hyflux.com/wp-content/uploads/2020/03/Hyflux-Ltd-Explanatory-Statement.pdf>).

The Utico Shares are also subject to a "Put Option" and "Call Option". Large P&P Holders can exercise the Put Option after 4 years, subject to certain conditions being met and is secured by a parent guarantee granted by Utico and a special purpose vehicle to be incorporated in Singapore by Utico, and which would be controlled by Utico, which are fully subordinated to the claims of the senior unsecured creditors. Utico can exercise the Call Option to purchase the Utico Shares at a discount at any time before the expiry of 4 years.

- 5. P&P Holders are advised to read the full terms of the July Proposal, which is available at: <https://links.sgx.com/FileOpen/Letter%20from%20Utico%20-%2023%20July%202020.ashx?App=Announcement&FileID=624919>.
- 6. Prior to Utico making the July Proposal public, Utico had provided the draft July Proposal to various parties including SIAS for comments. SIAS's response was to raise concerns and questions regarding some of the terms of the July Proposal, as set out in its press statement dated 19 July 2020 (see: <https://sias.org.sg/latest-updates/press-statement-sias-raises-concerns-over-potential-hyflux-offers/>). However, Utico has to-date neither satisfactorily addressed SIAS' concerns nor proposed any changes to the July Proposal.
- 7. Recently, in Utico's letter dated 9 September 2020, Utico appears to have taken some of SIAS' concerns on board. In particular:
 - (a) In response to SIAS' concern that it is arbitrary to offer Small P&P Holders cash payment while Large P&P will only get the P&P Share Consideration, Utico appears to be now prepared to consider making an offer to the P&P Holders as a whole.
 - (b) In response to SIAS' concern that the payment in shares under the July Proposal is problematic because, among other things, the P&P Holders are unable to make an informed decision on the value of the shares due to the lack of a formal valuation being done, Utico now appears to be prepared to consider making a cash payment in an amount equal to 4% of each P&P Holder's debt in the Sept Proposal.
- 8. Utico has requested that SIAS seeks the views of P&P Holders on its Sept Proposal as follows:

*"... As such, keeping our July 23rd 2020 intact, Utico would like alternatively to hear from the P&P Holders on their views on a revision of the terms of the [Revised Proposal] to provide a cash payment to the P&P Holders (without any share option or differentiation between large and small P&P Holders) in an amount equal to 4% of the value of such P&P Holder's holding of perpetual securities and/or preference shares uniformly without any class with such cash to be payable on closing (the "**P&P Revised Offer**"). The P&P Revised Offer would be conditional on Hyflux remaining listed on the SGX. Except as revised and amended by the P&P Revised Offer, in respect of the P&P Holders, all other terms of the [23 July Offer] shall remain the*

same. ...”

9. A copy of Utico's letter dated 9 September 2020 is available at:
<https://links.sgx.com/FileOpen/Letter%20from%20Utico%20-%209%20September%202020.ashx?App=Announcement&FileID=631139>.
10. P&P Holders who have feedback or comments on Utico's Sept Proposal as set out in its 9 September 2020 letter (see paragraph 8 above) may provide such feedback or comments to SIAS at admin@sias.org.sg by Friday 2 October 2020. In this regard, please note that Utico has extended the period for Hyflux to accept its July Proposal to 5:00pm on 15 October 2020. Hyflux has to-date not indicated whether it accepts or rejects the July Proposal. Please note that Hyflux is required to accept the July Proposal (whether with or without modifications) before a scheme of arrangement can be placed before the P&P Holders and other creditors for their consideration.

Current management of Hyflux

11. P&P Holders should also note that Hyflux Board has confirmed that there are no plans for the Hyflux Board to:
 - (a) abstain from voting on the scheme of arrangement based on Utico's offer;
 - (b) give up their entitlement under the scheme of arrangement based on Utico's offer in favour of the P&P Holders; and
 - (c) remove the clause which releases and discharges Hyflux's directors from any liability under the scheme of arrangement based on Utico's offer.

B. Other Investors

12. SIAS would also highlight that none of other potential investors, namely, **Longview International Holdings Pte Ltd**, **FCC Aqualia, S.A.**, **Unilegend Investments Pte Ltd**, **Aqua Munda Pte Ltd ("Aqua Munda")**, **Pison Investment Pte Ltd ("Pison")** and **The Spectrum Solutions Group**, have made an offer to the P&P Holders to-date.
13. SIAS has repeatedly stated that it does not look favourably on and is unable to support any potential investors and/or potential investments which do not contain a concrete proposal to resolve the debts due to the P&P Holders, and has urged the potential investors, in particular, **Aqua Munda** and **Pison**, both of whom have made an offer to Hyflux's senior creditors, to table a concrete proposal for the P&P Holders as soon as possible.
14. With respect to **Pison**, it was reported in the Business Times ("BT") on 16 September 2020 (see: <https://www.businesstimes.com.sg/companies-markets/potential-hyflux-investor-pison-says-unsecured-working-group-of-seven-creditor>) that it is in the process of reviewing submissions received from eligible creditors, and would turn its attention to the P&P Holders after it has completed the purchase of a "significant portion" of the eligible debt. An extract of the BT report is set out below:

"In a letter on Tuesday addressed to Hyflux's CEO Olivia Lum, Pison said that it had arranged a townhall meeting on Aug 31 with noteholders via Zoom for Corporate FinEdge to explain the key terms of the invitation and to address questions. More than 40 noteholders attended and the questions were answered by Mr Widjaja. Pison said the noteholders appeared "genuinely interested" in the offer.

Notwithstanding that the extended expiration deadline of Sept 4 has passed, Pison said it continues to receive submissions of tender application forms and will admit these late submissions for consideration. It has also received indications from a few significant eligible creditors that they are still in the process of obtaining board and management approval to submit their applications as their internal processes take time. Pison may therefore consider further extending the expiration deadline, it said.

Pison has to determine which of the submitted tenders to accept by the deadline of Sept 25, 5pm. It is in the process of reviewing the submissions and will provide an

update on the outcome in due course.

It added that once it has completed the purchase of a "significant portion" of the eligible debt, it will turn its attention to the holders of the perpetual capital securities and preference shares (P&P holders).

It said that it is committed to facilitate "on an expedited basis" a debt restructuring exercise that is fair and equitable to the P&P holders, Hyflux's shareholders and other stakeholders. It is also "intent on" completing the invitation memorandum and will actively engage with the UWG members and deal with the P&P holders through the Securities Investors Association (Singapore) and its advisers over the next few weeks.

"Pison is aware of the tight timelines and the pressure on the Hyflux group to undertake and complete its debt restructuring exercise," it said."

C. UWG's JM Application

15. The UWG, which comprise 19 members who collectively hold S\$931,890,162, representing 55.6% of Hyflux's total admitted senior unsecured claims would like to place Hyflux and Hydrochem under judicial management.
16. The JMs, if appointed, will displace Hyflux's existing board of directors and will have broad decision making and managerial powers to manage the business and affairs of Hyflux, including the conduct of Hyflux's restructuring exercise. The Court has the power to make a judicial management order if one or more of the purposes of judicial management would likely be achieved:
 - (a) the survival of the company, or the whole or part of its undertaking, as a going concern;
 - (b) the approval under s 210 of the Companies Act or s 71 of a compromise or an arrangement between the company and any such persons as are mentioned in the applicable section; or
 - (c) a more advantageous realisation of the company's assets or property than on a winding up.
17. The hearing of the JM Application has been fixed on 14 October 2020.
18. Should P&P Holders have any comments or questions, please direct them to admin@sias.org.sg.
19. Thank you.

Annex A – List of SIAS Press Releases on the Hyflux Restructuring since May 2019

1. On 17 May 2019 – SIAS issued a press statement encouraging Hyflux and the banks to steer away from judicial management as that would undermine the interests of the retail investors
2. On 7 August 2019 – SIAS issued a press statement stating that it will not support any suggestion that the P&P Holders be excluded from any deal
3. On 29 September 2019 – SIAS released a press statement to clarify a number of statements made in various media reports to ensure that the P&P Holders do not receive misleading information
4. On 20 November 2019 – SIAS released a press statement expressing concern that there is

no finality on Utico's offer and urged all stakeholders to work towards a deal which is commercially acceptable to all parties

5. On 30 December 2019 – SIAS released a press statement to request more transparency from Aqua Munda
6. On 13 January 2020 – SIAS released a press statement setting out, among other things, its certain key concerns in relation to the Utico deal for the P&P Holders
7. On 4 February 2020 – SIAS released a press statement to seek clarification from Utico on certain statements made by Utico at its townhall for the P&P Holders which was held on 20 January 2020
8. On 21 February 2020 – SIAS released a press statement stating that its advisors, Drew & Napier LLC (“**DN**”) and PricewaterhouseCoopers Advisory Services Pte Ltd (“**PwC**”) will act entirely independently in assisting SIAS and will not accept higher fees in exchange for encouraging P&P Holders to accept the Utico deal
9. On 4 March 2020 – SIAS released a press statement setting out Hyflux's response to SIAS' letter dated 13 January 2020
10. On 6 March 2020 – SIAS released a press statement setting out a letter to the members of Hyflux's board on, among other things, queries received from the P&P Informal Steering Committee
11. On 12 March 2020 – SIAS released a press statement setting out a summary of the Utico deal and to inform P&P Holders that it, together with its advisors, DN and PwC, would hold briefing sessions with P&P Holders, which were eventually held between 27 March 2020 and 3 April 2020.
12. On 28 May 2020 – SIAS released a press statement expressing its disappointment that despite SIAS' reminders, the Long-Stop Date has lapsed and Utico's revised offer is considerably less favourable than its earlier offer, and urged Hyflux to take all steps possible to bring the restructuring to a satisfactory and expeditious end for all stakeholders
13. On 3 June 2020 – SIAS released a press statement setting out its concerns on the current state of affairs at Hyflux given the ongoing criminal investigations for suspected false trading, misleading statements and non-compliance with accounting standards
14. On 9 June 2020 – SIAS released a press statement to provide an update that at a meeting between SIAS and Aqua Munda on 8 June 2020, Aqua Munda assured SIAS that it will provide details of their offer to the P&P Holders at the appropriate time
15. On 19 July 2020 – SIAS released a press statement setting out, among other things, its key concerns on Utico's revised offer, and that it does not look favourably on and is unable to support any potential investors and/or potential investments which do not contain a concrete proposal to resolve the debts due to the P&P Holders
16. On 21 July 2020 – SIAS released a press statement to clarify comments made by Mr. Johnny Widjaja
17. On 27 July 2020 – SIAS released a press statement reiterating its commitment to engage and work with Hyflux, and any potential investors with a concrete proposal for the P&P Holders
18. On 30 July 2020 – SIAS release a press statement stating that its role is to facilitate communication between the relevant stakeholders, and called on Utico to put a restructuring proposal acceptable to all creditors