



Date : 15 June 2020

Utico FZC
P.O. Box 54527,
RAK, UAE

Attn: Mr. Richard Menezes

Dear Sirs,

RESTRUCTURING AGREEMENT BETWEEN HYFLUX LTD AND UTICO FZC DATED 26 NOVEMBER 2019 (the "RA")
- Utico Email dated 12 June 2020

1. We refer to the email from your Mr. Richard Menezes dated 12 June 2020 (the "**Utico 12 June 2020 Email**") which was sent in response to our letter of 12 June 2020.
2. In the Utico 12 June 2020 Email, you have stated that:

"Before you make a Press Statement / to SGX, please review the May 26th 2020 letter which clearly states that is linked to the signed RA of 26th Nov. 2019 and therefore it is extended as well."
3. As stated in our letter of 12 June 2020, it is clear that the Restructuring Agreement dated 26 November 2019 ("**RA**") has *ipso facto* ceased and determined.
4. However, in your letter of 26 May 2020, you had proposed "to proceed with the RA terms and conditions as signed of (*sic*) 26th November 2019" except for four points set out therein which appears to propose revisions to certain key terms (the "**Revised Offer**"). Your Mr. Richard Menezes' sent a further email on 10 June 2020 (the "**Utico 10 June 2020 Email**") which appears to add terms to the Revised Offer.
5. We, in consultation with the relevant stakeholders, are considering the Revised Offer from Utico and will provide our response to the Revised Offer as soon as possible but in order to do so, will need clarity on a number of aspects of what is being proposed.
6. First, we would like to seek Utico's urgent clarification as to Utico's statement that it had "*agree[d] to extend the 26th May 2020 letter offer linked to the 26th Nov. 2019 signed RA to June 30 2020*" – namely, whether Utico is saying that its Revised Offer is open for acceptance until 30 June 2020, or, that its Revised Offer is that the Long-Stop Date (as defined under the RA) be extended to 30 June 2020 and that the Revised Offer continues to be open for acceptance at any time before that.
7. If Utico is proposing the latter, as you are undoubtedly aware, under the current COVID-19 regulations in Singapore, it is still legally and physically impossible for us to conduct physical scheme meetings which are necessary to approve Utico's Revised Offer, and any extension will need to be longer than to 30 June 2020.
8. In any event, unless and until there is any written acceptance of your Revised Offer, as we have stated in our letter of 12 June 2020, the fact remains that the RA has *ipso facto* ceased and determined.
9. Second, we have set out in the Annex to this letter a number of clarificatory questions on the Utico 10 June 2020 Email and the Revised Offer, the responses to which will be essential for the stakeholders to properly consider the same. We would be grateful if Utico could provide us with its responses to these queries as urgently.

10. If our stakeholders have any further queries, in particular on the additional terms of the Revised Offer that were raised in the Utico 10 June 2020 Email, we will write to you to convey these queries.
11. On a separate note, the Utico 12 June 2020 Email states that "*the stakeholders of Oman and Algeria assets are in touch with [Utico] as is their rights per SHA when Hyflux has defaulted and not per Utico's rights*". Even if the Omani and Algerian project counterparties had approached Utico as you claim, this does not change the fact that Utico is required to comply strictly with its own confidentiality undertakings under the RA (which survives even though the RA having *ipso facto* ceased and determined) and / or the enhanced confidentiality agreement dated 20 May 2020. For avoidance of any doubt, Utico **must not engage** with our project counterparties unless and until there is a binding scheme of arrangement with Hyflux which, as of today, is not the case.

Sincerely,



Lau Wing Tat (Mr.)
Director



Annex

1. Share buyback

- a. What are the terms of the proposed share buyback?
- b. What are the terms of the call or put mechanism?
- c. Is the call or put mechanism optional at Utico's sole discretion or, in light of the Utico 10 June 2020 Email, is Utico proposing that the creditors be "*given recourse for buyback through a call or Put mechanism*" instead?
- d. When will the share buyback / call or put mechanism take place?
- e. In the event that the relevant Senior Unsecured Creditor or P&P holder or advisor sells the Utico shares and Hyflux shares that it has received as payment, will Utico engage with the new owner of the Utico shares and Hyflux shares for a share buyback?

2. Payment to Senior Unsecured Creditors

- a. Will the shares be issued to the Senior Unsecured Creditors in 2 tranches, similar to the Restructuring Agreement?
- b. If yes, will both the shares of Utico and the shares of Hyflux be issued equally in each tranche? i.e.
 - i. Tranche 1: Utico's shares (8.5%); Hyflux's shares (6.25%)
 - ii. Tranche 2: Utico's shares (8.5%); Hyflux's shares (6.25%)

3. Payment to P&P Holders

- a. What is the quantum of P&P claim for a P&P Holder to be considered "*small investor*" or "*larger investor*"?
- b. Please provide more details about the options available for a "*small investor*" or a "*larger investor*".
 - i. Will Option 1 for the "*small investor*" be payable in cash or shares?
 - ii. What about Option 2 for the "*larger investor*"?
 - iii. Given that the Restructuring Agreement does not provide for payment of shares to P&P Holders, please clarify Utico's statement in its 10 June 2020 letter that "*Larger investors will be paid in shares per RA*".
- c. Is Utico stating that the P&P Option 1 for cash payment is still open provided that Utico's Revised Offer is accepted by Hyflux before 30 June 2020, or, if chosen by the "*small investors*" (whoever they may be) before 30 June 2020?
- d. If the options available include a deferred distribution, will security be provided for such distribution?

4. Payment to Professional Advisors

- a. What constitutes "*overall agreement as per our May 26th Offer*"?



- b. Will the “overall agreement” include the Professional Advisors providing a written confirmation (Clause 11.2(a) of the Restructuring Agreement)?
- c. Pursuant to Cl. 7.2, RA, the Professional Advisors are to receive payment in 3 tranches over 18 months on and after Completion. Will the 5% of Hyflux shares be similarly issued in 3 tranches over an 18-month period on and after Completion?
- d. If the answer to (c) above is yes, what is the percentage of Hyflux shares to be issued in each tranche?

5. Payment to Subsidiaries to settle trade debts

- a. Please confirm that the “supplier creditors” refer to the scheme creditors of Hydrochem, Hyflux Engineering and Hyflux Membrane Manufacturing.
- b. Pursuant to Clause 6.4(a) of the Restructuring Agreement, the amount payable for the subsidiaries scheme creditors will be >S\$8m, <S\$13m. Will a similar quantum be available for the subsidiaries scheme creditors under the Revised Offer?
- c. How will the payment for the subsidiary scheme creditors be funded? Will it be funded via the “Shareholder loan to Hyflux”?

6. Working capital and business growth needs of the Group

- a. Please confirm if the “Shareholder loan to Hyflux” will replace the S\$100m Working Capital Line that was to be provided to Hyflux by Utico per the Restructuring Agreement.
- b. What considerations does Utico have in deciding whether to provide the shareholder loan?
- c. What are the terms of the “Shareholder loan to Hyflux”?

7. Conditions

- a. Please confirm that the “SPV shareholding transfer” will only take place after the scheme is approved and sanctioned by the Court (as opposed to Utico investing “in these Algerian and Omani assets...**immediately with board approval and work in parallel to save time and value**”).
- b. Please clarify “acceptance of scheme by creditors” can be “obtained before June 30th 2020”. What is the form of acceptance?
- c. What constitutes the “unsecured creditors”? Does it include the MTN holders, the P&P holders, bank creditors, contingent creditors?
- d. **Please confirm if the following timeline is accurate.**
 - i. **17 June 2020** – Deadline for Utico to receive the board resolution setting out the board approval of asset transfer. Board approval will be subject to unsecured creditors approval of the scheme.
 - ii. **30 June 2020** – Deadline to obtain acceptance of scheme by creditors (see question 7b above)
 - iii. **After scheme** – SPV shareholding transfer will take place
- e. Please advise what constitutes the Project Assets.



- f. What is the consideration to be paid for the transfer of the Project Assets?
- g. Assuming the terms of the transfer of the Project Assets are agreed and the Board approves the transfers, we understand that such transfers would still be subject to creditors, shareholders and regulatory approval (You may wish to confirm this with your legal advisors).
- h. If Utico is asking for the asset transfer to take place before the sanction of the scheme,**
 - i. In the event that the schemes of arrangements are not successful, will the Project Assets be transferred back to Hyflux?
 - ii. Upon transferring of the Project Assets, what assurance does Hyflux have that Utico will remain committed to the Restructuring Agreement / overall restructuring of Hyflux?

8. Timeline – Proposed actions

- a. Please clarify what is considered *“no additional costs build up or undue further loss of time”*.
- b. Please clarify if the extension to 30 June 2020 refers to the validity of the offer or to the Long-Stop Date (see paragraph 6 of our letter above).