



LETTER TO STAKEHOLDERS

Dear all,

In the last three decades, Hyflux has grown from a small start-up to a global leader in water infrastructure solutions. Venturing beyond Singapore, we have built landmark projects to deliver clean drinking water to people in China, the Middle East and Africa.

This would not have been possible without the strong support of our stakeholders. I sincerely thank all shareholders, clients, partners, suppliers and employees for their belief in us and the valuable roles each of you have played in the Hyflux growth story.

One of our landmark projects is Tuaspring, the first Integrated Water and Power Project in Asia, which is an important track record to boost the Group's solution offering to its municipal clients. This innovative project which contributes significantly to our nation's water security, has, in recent years, not escaped the impact of depressed electricity prices in Singapore. As a result, 2017 marked the first full year of losses in our operating history. Although improvements in wholesale electricity prices have reduced losses in the last few months, a sharper rebound in prices is necessary to restore the Group to its previous levels of profitability.

Operating in a capital-intensive industry, we have always adopted an asset-light strategy where we divest our completed projects to recycle capital into new investments. These successful divestments have funded our growth through the years. However, our recent plans to divest the Tuaspring project in Singapore and the Tianjin Dagang plant in China have taken longer given the prevailing market and this has added stress to the business.

In view of the challenging environment, our options are to either maintain the status quo and hope to ride out the storm, or to step back and assess holistically how to reorganise our



liabilities. This will not only protect our viable core businesses but position us for long-term sustainable growth.

We have therefore decided to be proactive, and have appointed Ernst & Young Solutions LLP as our financial advisors and WongPartnership LLP as our legal advisors. Based on their advice, we have commenced a court-supervised liabilities reorganisation exercise for certain entities within the Group. The main objective of this exercise is to provide much needed space and time for the Group to focus on its ongoing discussions with strategic investors, optimise operations, target areas for growth and complete our projects to keep generating steady cash flow. Through this exercise, we believe that we will emerge stronger and be poised for sustainable growth in the years to come.

On the ground, it will continue to be business as usual.

We remain committed to our clients and key stakeholders, whom we will engage and work closely with throughout this reorganisation so as to achieve the best possible outcome in these challenging circumstances.

In the meantime, we have voluntarily suspended trading of our shares and related securities, in the interest of all stakeholder groups.

In line with our commitment to uphold corporate transparency, we are committed to maintaining open channels of communication with our stakeholders as we move through this process together. Should you need further information, please call our support centre at +65 3157 7999 or visit our corporate website www.hyflux.com.

Olivia Lum
Executive Chairman and Group Chief Executive Officer