

Our Ref: UT/HYF/2020/09/09

Date: 9 September 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: Extension of Binding Offer

1. Extension of Binding Offer

We refer to our binding offer dated 23 July 2020 to Hyflux Ltd ("Hyflux") (as extended pursuant to our letter dated 31 July 2020 (Ref: UT/HYF/2020/07/02)) (the "Binding Offer"). The Binding Offer was open for acceptance until 5 pm on 30 August 2020 (the "Deadline"). The Deadline has since passed. Hyflux did not accept this Binding Offer; neither did it request for an extension of the Deadline. This is unfortunate given that we have received several requests from MTN Holders, ordinary shareholders and other interested parties and stakeholders to extend the Binding Offer as they are of the view that the Binding Offer is the only viable restructuring plan for Hyflux and has the highest recovery available. We also refer to your recent email of 8th September which requests Utico to revise/adjust our terms to get the best possible outcome for the creditors.

As such, we hereby agree to extend the period for acceptance of the Binding Offer to end at 5 pm (Singapore time) on 15 October 2020. Please note that Utico's Binding Offer will remain open for acceptance during the acceptance period irrespective of whether a judicial manager is appointed or not and provided that Hyflux remains listed on the SGX without risk of its delisting. The creditors should have confidence that our Binding Offer provides the greatest certainty to all creditors of a successful and holistic restructuring and ensures the highest recovery available.

2. Solicitation of views on a revised offer to the P&P Holders

We also refer to the invitation from Pison Investments Pte Ltd ("Pison") to acquire Hyflux's senior unsecured debts at a discount of at least 91% by way of a reverse Dutch auction. We note that Pison's proposal does not contain any clear intention or disclosure of a roadmap to advance restructuring discussions until such acquisition has been completed.



In light of the contemplated 1% to 9% recovery available to the UWG and the MTN Holders pursuant to Pison's invitation, we understand that if Pison were to make any invitation to the P&P Holders, the implied recovery for a P&P Holder is expected to be between 1% to 4% of the claims of such P&P Holder considering it is a junior creditor. With this implied recovery in mind, as we have previously noted, the recovery for the P&P Holders under Utico's Binding Offer is higher than the estimated recovery pursuant to Pison's invitation. We note that SIAS has stated several times (including in its press release of 27 July 2020) that it will not support any offer that does not have a fair solution for the P&P Holders and that it has urged all potential investors, including Pison (despite an expected lower recovery as compared to the Binding Offer), to make public their offers with concrete terms for the P&P Holders. As at the date of this letter, we note that Pison had not made an offer to the P&P Holders.

The above stated has led us to believe that any offer Utico makes in cash, albeit one which provides a lower recovery than the offer of shares and cash under the Binding Offer, will be acceptable to the P&P Holders. 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 terms of the Binding Offer 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 Binding Offer shall remain the same. We would request SIAS's assistance in seeking the inputs on the P&P Revised Offer from the various P&P Holders that SIAS are in contact with and relaying that feedback to us before we make a decision whether to make a revised offer to the P&P Holders.

3. Solicitation of views on a revised offer to the UWG and the MTN Holders

The UWG stated in their affidavit dated 12 August 2020 filed for its application for judicial management of Hyflux that one of its concerns with the Binding Offer is that no cash consideration is paid to them. Separately, certain representatives of the UWG and the MTN Holders have also contacted us indicating that they are not interested in receiving shares in Hyflux but see considerable value in shares in Utico. In light of the above, considering the potential recovery of 6% to 9% available to the UWG and the MTN Holders pursuant to Pison's invitation, Utico is willing to engage in discussions with the UWG and the MTN Holders in relation to the following revised terms (the "**Senior Revised Terms**") to the Binding Offer:

- (i) the UWG and MTN Holders Shares will receive only shares in Utico equal in value as at closing to 6% of the value of the claims (the "**Utico Shares**") and in one tranche instead of two. This will be issued at closing and, for the avoidance of doubt, no shares in Hyflux will be issued;
- (ii) Utico will shorten the period in which the Utico Shares can be exchanged for cash; and
- (iii) the Utico Shares will be subject to a put option (terms of which are as per the current Binding Offer) exercisable between 120 to 500 days after closing (exact timings to be agreed).



- (iv) Since all Utico shares will be issued at closing for valuation arrived per revised offer if acceptable, the security documentation becomes easier.

The Senior Revised Terms would be conditional on Hyflux remaining listed on the SGX. Except as revised and amended by the Senior Revised Terms, all other terms of the Binding Offer shall remain the same. We would request Hyflux's assistance in seeking the inputs on the Senior Revised Terms (as an alternative to our 23rd July offer) from the UWG and MTN Holders and relaying that feedback to us before we make a decision whether to make a revised offer to the UWG and MTN Holders.

4. Status of Hyflux

In order for Pison to gain a bargaining position to negotiate with the senior unsecured creditors, Pison will need to acquire at least 25.1% of the claims of the senior unsecured creditors. However, we are of the view that achieving this threshold seems highly unlikely considering that each senior creditor will need to outbid each other to get the lowest recovery from the 91% minimum discount set by Pison. In the event that Pison does acquire at least 25.1% of the relevant claims, apart from negotiating with the UWG and the MTN Holders, Pison needs to determine a restructuring proposal in respect of the shareholders of Hyflux. Given the many parties involved and the listed status of Hyflux (which involves, amongst others, making certain information public and the obligation to disclose information on SGX), there are valid concerns that any transaction sponsored by Pison could lead to a delisting of Hyflux, in particular given how long the trading in Hyflux's shares has remained suspended, the inability for Hyflux to meet its regulatory compliance obligations in terms of reporting and the current regulatory investigations. In our approach to this restructuring, we have always maintained a desire to keep Hyflux listed and to acquire as a going concern which in our view is the best way to achieve the best recovery available for the benefit of all of the creditors and the shareholders. We have also been solicited by some agents claiming to represent Pison over the past few weeks and therefore through this letter, we invite Pison officially to engage with us directly to reach an agreement with us that will ensure a mutually profitable outcome .

It is also possible that other potential investors may make an offer resulting in a lower proposed recovery for creditors generally compared to Utico's proposal but which allows the directors to maintain a significant shareholding in Hyflux. We would caution the board of Hyflux from accepting such restructuring proposals as these would result in a significant conflict of interest for the directors. We therefore request that Hyflux confirms (i) what discussions have been had with other potential investors that are still active as to any agreements with respect to the shareholdings of the directors in Hyflux post-restructuring and (ii) if there have been any discussions with, or proposal proposals from, other potential investors that Hyflux is delisted. We ask that Hyflux responds on this point by 5 pm on 11th September 2020. We re-emphasize that any offer from Utico is only valid if Hyflux remains listed on the SGX.

5. Status of Aqua Munda and Pison invitations

We note that Aqua Munda Pte Ltd has not renewed their invitation. We also note that Pison's invitation expired on 4 September 2020. We therefore request Hyflux to confirm no later than 5pm (Singapore time) on 11th September 2020 if either Aqua Munda or Pison remain as potential investors considering the above.



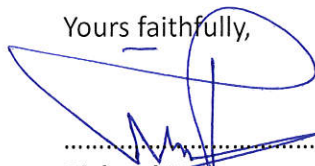
6. Conclusion

Turning around any company needs money and a solid sector market reputation such as Utico's, alongwith a strong order book with resources. Since our initial proposed deal with Hyflux, we have been approached by other potential business partners such as Sacyr Water (formerly known as Valoriza Agua) and potential investors who have made offers to invest in Hyflux (whether through their agent or directly) to collaborate with Utico on projects once there is an agreed deal between Hyflux and Utico. Details of such collaborations are confidential and we are not in any liberty to disclose any details at this moment. However we feel that such solicitations validate our proposal being more robust and viable since it is the only all round offer to all stakeholders and not an auction pitting one creditor against the other.

We also note from our interactions with various creditors of Hyflux that they see significant value in Utico and Utico's shares and the expertise and management that Utico will bring as the new owner of Hyflux. We are firmly of the view that Utico's Binding Offer is for the benefit of all shareholders and creditors under these circumstances, and is the only viable option available and can be executed quickly. Utico's involvement as the majority owner of Hyflux will return the business to prosperity and growth if further time is not lost and this is important factor is noted and valued by all the stakeholders.

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

