



Date : 12 October 2020

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

Attn: Mr. Richard Menezes

Dear Sirs,

Hyflux Group Restructuring
Re: Utico's letter of 11 October 2020

1. We refer to your letters dated 9 and 11 October 2020, and, our letter dated 9 October 2020.
2. Unfortunately, your letter dated 11 October 2020 ("**11 October Letter**") contains numerous misstatements which we are compelled to correct. We address and correct several of these misstatements further below. To the extent that we do not address any other allegations or matters as set out in your 11 October Letter, those allegations and matters should not be taken as having been accepted or admitted by us.
3. However, as a general point, we wish to note that the statements made in your letter are not statements befitting a potential investor which is interested in investing in Hyflux and advancing this restructuring. We would strongly urge you to focus on advancing your own offer to the various creditors groups to deal with their respective concerns (which we would be glad to assist you in publicising once you have addressed the concerns set out in our letter to you dated 9 October 2020).
4. In the meantime, please clarify your statements that "*[T]he UWG has continued to work us and Utico with P&P and Hyflux in tandem and is the only party with firm binding offer to all stakeholders as of to-date*" and "*[o]ur offer currently also meets all conditions w.r.t Hyflux directors and has consistently met majority approvals at three attempts for P&P vote, even with our latest July 23rd proposal*". In particular:
 - a. We are not aware of the UWG working with us, Utico and/or the P&P holders "*in tandem*" as you suggest. We are also not aware of the contents of the said discussions between the UWG and Utico, or, of the "*firm binding offer*" referred to. Please provide us with details of any discussions you may have had with the UWG, and, the details of any offer which may have been discussed.
 - b. We are not aware of what "*conditions w.r.t Hyflux directors*" you are referring to, and/or, of any "*P&P vote*" that has been conducted. We are also not aware of the "*majority approvals*" you say that you have obtained "*at three attempts for P&P vote*" which appear to us to be contrary to the statements made by SIAS in their letter dated 7 October 2020. Please provide us with details of the conditions that you are referring to and of the approvals that you say that you have obtained.

5. As to your request (given at a day's notice) for us to hold a townhall for P&P holders later today at 6pm – that is obviously not feasible or practical. Even if Hyflux published the announcement immediately after receiving your letter in the afternoon yesterday, it is clear that there would be no time for any substantial number of P&P holders to be notified of the townhall even with the SIAS' assistance. In any event, as we have stated in our 9 October 2020 letter to you, to ensure that such townhall is beneficial for the P&P holders, we will require Utico to inform us and the creditors how you intend to deal with the concerns raised by the various creditor groups and, if necessary provide revised terms for the creditors' consideration. It clearly would be in the interest of all creditors for Utico to be upfront and clear about its proposed offer.

6. As to the various misstatements in your 11 October Letter:
 - a. You have stated that our affidavit filed in relation to the judicial management hearings fixed for 14 October 2020 states that "*UWG would like to ensure parallel engagement with P&P and an offer prior to UWG acceptance*". That is simply untrue. None of the affidavits that have been filed on behalf of Hyflux contain any such statements. Further, we would remind you that the affidavits are sealed as a matter of Court order and that it is inappropriate for you to make any such statements.

 - b. You have stated that "*SIAS, through 7th October 2020 letter, confirms that Utico remains the only party that has made an offer for P&P and has asked Hyflux to do the Townhall*". This is, again, untrue. SIAS' letter dated 7 October 2020 clearly states that "*SIAS would suggest that the virtual townhall proposed by Utico be organized by Utico and/or Hyflux*" and that "*Hyflux may then wish to release an announcement on the SGX-ST to inform P&P holders of the proposed virtual townhall*". Notwithstanding the fact that the virtual townhall was entirely your idea for the purpose of convincing the P&P holders to accept your revised offer (which SIAS had already refused to endorse), we had agreed to assist with and publicise the same subject only to requiring Utico to set out clearly how it intends to deal with the concerns raised by the various creditor groups and, if necessary provide revised terms for the creditors' consideration.

 - c. You have stated that we had committed to do the townhalls requested by you and co-operate including by making the necessary announcements as part of the Restructuring Agreement signed on 26 November 2019 ("**RA**"), and, that we had failed to do so in respect of the 20 January 2020 townhall. Once again, this is plainly incorrect as a matter of law and fact. We have comprehensively addressed this matter with you in the past and there is no benefit to any parties for us to do so again. In any case, as you well-know, the RA has, in accordance with its own contractual terms, "*ipso facto ceased and determined*".

 - d. You have stated that we have "*failed to announce and do the P&P townhalls even if virtual, citing 'costs' and 'waste of time'*". This is plainly false. As stated above, we have agreed to assist with the organisation of the townhalls for the P&P holders if you set out clearly how you intend to deal with the concerns raised by the various creditor groups and, if necessary provide revised terms for the creditors' consideration. These are, in our view, the minimum steps required to progress your revised offer given that none of the creditors have supported your offer despite there being ample opportunity to do so. Providing such details would allow the P&P holders (and other creditors) to understand how Utico intends to address their concerns and, as such,

would clearly be essential for the creditors to know beforehand to ensure that any townhall organised for the P&P holders is productive.

- e. We also reject your unwarranted insinuation that we have stated that dealing with the P&P holders and/or the SIAS are a "waste of time". We have stated time and again that any restructuring deal must include the P&P holders who are, in our view, an essential group of creditors whose concerns must be taken into account and addressed by any potential investor. The whole point of Utico providing details of how it intends to deal with the concerns raised by creditors (including a further revised offer, if necessary) is to ensure that the townhall that you have suggested does not become a "waste of time and resources" for the creditors and their advisors who have already conveyed to you that they do not support your offer.
 - f. We note Utico's confirmation that a discussion did in fact take place between the UWG and Utico where the "offer for half price" of the Hyflux Group was made, and, that Utico had previously informed Hyflux of the same. We also note Utico's statements that the RA was not consummated due to "COVID related changes".
 - g. However, we categorically deny Utico's allegation that the RA was "not consummated due to several factors not related to Utico but due to several breaches by Hyflux". This is patently untrue. As you well-know, it was Utico had breached the confidentiality undertakings set out in the RA by misusing confidential information provided by Hyflux for collateral purposes. Once our genuine concerns were addressed and you had provided an enhanced confidentiality undertaking, we provided the requested information to Utico without delay.
7. Finally, as to your comments regarding the offer put forward by Pison Investments Limited ("**Pison**"), we make no comments on the same, save to say that, insofar as Hyflux is concerned, your comment have clearly been made without any basis in fact. In any event, as you well know, it is not appropriate for us to take a position or sides between the offers from the various potential investors as it is the creditors who will ultimately need to decide which offer and investor they prefer.
8. All our rights are fully and expressly reserved.

Sincerely,



Lau Wing Tat (Mr.)
Director