



Date : 04 June 2020
Your Ref ; UT/IRM/HYF/2020/05/001

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

Dear Sirs,

RESTRUCTURING AGREEMENT BETWEEN HYFLUX LTD AND UTICO FZC DATED 26 NOVEMBER 2019 (the "RA")

1. We refer to your letter dated 26 May 2020.
2. We note that the revised offer from Utico has changed significantly from that contemplated in the Restructuring Agreement dated 26 November 2019 (the "RA"). As to be expected given the extent and abruptness of the change, there has been substantial consternation and concern from the various stakeholders.
3. In that regard, we had taken the initiative to reach out to the various stakeholders to seek their input on your revised offer. Pursuant to that exercise, we set out below the concerns which have been raised to our attention from the key stakeholders thus far:

MTN holders

- a. On 4 June 2020, we were informed that the Informal Steering Committee ("ISC") of MTN holders reject Utico's revised proposal on the basis that they require cash instead of equity. The MTN ISC is prepared to continue to document the earlier, two payment cash deal.

P&P holders

- b. On 3 June 2020, we were informed that the Securities Investors Association ("SIAS") concerns remain as set out in their press statement dated 28 May 2020 as published on the SIAS' website. In the press statement, the SIAS have asked that Hyflux seek clarity on the revised offer for the P&Ps, including as to:
 - i. *"Clarification on the name of the Utico entity whose shares are to be issued to the P&Ps";*
 - ii. *"Whether, similar to the previous offer, the P&Ps are to elect between (i) an upfront option and (ii) a deferred option where shares will be issued over a period of time in respect of the issuance of shares"; and*
 - iii. *"if the answer to (ii) above is yes, what the offer for each option entails and if the offer includes a deferred distribution, whether security will be provided for such distribution".*

Other stakeholders

- c. As of today, we have not received any further comments from the other stakeholders despite requesting for the same by Wednesday, 3 June 2020. In the event that we receive further comments, we will forward the same to you for consideration.
4. In addition to the stakeholders' concerns as set out above, we have some clarificatory questions on the terms of the revised offer (the answers to which would be critical in order for stakeholders to have a comprehensive

1

understanding of the revised offer and make a more informed decision as to whether to accept the same). These are set out in the **Annex** hereto.

5. Given the concerns and queries referenced above, we would like to arrange for a meeting via teleconference with you and the various stakeholders so as to facilitate a discussion on your revised offer. Please advise if you are available next week at a convenient time for the teleconference. If possible, we would be grateful if you could provide written responses to the queries raised prior to the teleconference taking place.
6. In the meantime, we reiterate our previous request to you on 29 May 2020 to extend the deadline of your revised offer to Tuesday, 30 June 2020, so as to allow the stakeholders adequate time to properly consider your offer.
7. We look forward to hearing from you as soon as possible on the above.

Sincerely,



Lau Wing Tat (Mr.)
Director

Annex

1. You have advised that as part of the revised offer "*advisors will get 5% of Hyflux as payment*":
 - a. Can Hyflux's advisors also be paid from the existing cash resources of Hyflux?
 - b. Pursuant to Cl. 7.2, RA, the Professional Advisors are to receive S\$40m in 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?
 - c. If the answer to (b) above is yes, what is the percentage of Hyflux shares to be issued in each tranche?
2. You have advised that once the scheme is passed, Utico "*at its sole discretion will engage with Senior unsecured creditors, P&P and advisor parties for a Buyback of its shares on an exclusive basis*":
 - a. What are the terms of the share buyback?
 - b. Does the share buyback include both Utico and Hyflux shares?
 - c. Is there any guarantee that Utico will undertake the share buyback?
 - d. 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?
3. You have advised that Utico's revised offer is "*contingent on immediate approval and action by [Hyflux] to transfer all project agreements and shareholding of Hyflux project companies in Algeria, Oman, [(collectively, the "Project Assets")]* which are to be transferred to Utico on Board approval with no undue delay":
 - a. Please advise what constitutes the Project Assets.
 - b. What is the consideration to be paid for the transfer of the Project Assets?
 - c. Please clarify if Utico will be directly investing in Hyflux at the Hyflux Limited level well as the Project Assets level.
 - d. In the event that the schemes of arrangement are not successful, will the Project Assets be transferred back to Hyflux?
 - e. Upon transferring of the Project Assets, what assurance does Hyflux have that Utico will remain committed to the Restructuring Agreement / overall restructuring of Hyflux?
 - f. 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).
4. You have advised that in order to meet the timelines you have proposed, there be "*no additional costs build up or undue further loss of time*" and that "*hence, once [Hyflux] and major shareholder has approve this proposition, Utico will utilise its advisors to arrange the documentation to consummate the transaction including representing Hyflux at the court to pass the scheme*":



- a. Please clarify what is considered “*no additional costs build up or undue further loss of time*”.
 - b. Please also note that an extension of the moratorium may be necessary in light of the revised offer you have put forward and the Covid-19 measures put in place by the Singapore government.
5. As to the creditors for the subsidiary schemes, please advise:
 - a. What are the Utico’s terms offered to the subsidiary scheme creditors?
 - b. How will the payment for the subsidiary scheme creditors be funded?
6. Please advise if Utico will be providing working capital funding for Hyflux and what are the terms of the working capital funding?