

**THE PROPOSED INVESTMENT IN
HYFLUX LTD BY SM INVESTMENTS PTE. LTD.**

1. INTRODUCTION

- 1.1 The board of directors (the "**Board**") of Hyflux Ltd (the "**Company**") refers to its announcements on:
- (a) 22 May 2018 in relation to the application by the Company and five of its subsidiaries to the High Court of the Republic of Singapore ("**Court**") pursuant to Section 211B(1) of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**") to commence a court supervised process to reorganise its liabilities and businesses (the "**Restructuring Exercise**");
 - (b) 19 June 2018 in relation to the grant by the Court of an order pursuant to Section 211B(1) of the Companies Act in respect of the Company and four of its subsidiaries (excluding Tuaspring Pte. Ltd.); and
 - (c) the other announcements made on 25 May 2018, 28 May 2018, 4 June 2018, 11 June 2018, 21 June 2018, 6 July 2018, 20 July 2018, 27 July 2018, 3 August 2018, 29 August 2018, 19 September 2018, 21 September 2018, 5 October 2018, 8 October 2018, 12 October 2018 and 15 October 2018 in relation to the updates on the Restructuring Exercise.
- 1.2 As part of the Restructuring Exercise, the Company conducted a competitive bidding process in order to pursue strategic investments into the overall business of the Hyflux group of companies ("**Group**"). The Company had entered into non-disclosure agreements with 16 potential interested parties. Until recently, discussions were narrowed down to 8 interested parties. Having considered the various proposals submitted by the interested parties, the Board wishes to announce that the Company has on 18 October 2018 entered into a restructuring agreement (the "**Restructuring Agreement**") with SM Investments Pte. Ltd. (the "**Investor**", and together with the Company, the "**Parties**"), pursuant to which the Investor shall:
- (a) subscribe for such number of ordinary shares ("**Shares**") in the Company, representing 60% of the Enlarged Issued Share Capital (as defined below) ("**New Shares**") for S\$400,000,000 (the "**Proposed Investment**");
 - (b) grant to the Company a shareholder's loan of a principal amount of S\$130,000,000 (the "**Shareholder's Loan Amount**") under the terms and subject to the conditions of a shareholder's loan agreement ("**Shareholder's Loan Agreement**"); and
 - (c) grant to the Company a loan of a principal amount of S\$30,000,000 for the interim working capital requirement of the Group ("**Pre-Completion Working Capital Rescue Financing**") for the period prior to completion of the Proposed Investment ("**Completion**") occurring under the terms and subject to the conditions of a loan agreement ("**DIP Loan Agreement**") ("**DIP Financing**"),

(the transactions under items (a) and (b) collectively referred to as the "**Proposed Transaction**").

- 1.3 The Proposed Investment will be undertaken by way of private placement in accordance with Section 272B of the Securities and Futures Act (Chapter 289 of Singapore) and accordingly, is not made in or accompanied by a prospectus that is registered by the Monetary Authority of Singapore.
- 1.4 In connection with the Proposed Transaction, the Company intends to allot and issue new shares to (a) certain creditors and stakeholders pursuant to the Scheme of Arrangement (as defined below) and (b) certain key members of the management team of the Company (as described in paragraph 3.7 below) (collectively, the "**Additional Share Issuances**").

For the purposes of the Proposed Transaction, "**Enlarged Issued Share Capital**" means the issued share capital of the Company on a fully diluted basis on the assumption that (a) Completion has taken place and (b) all the New Shares and Additional Share Issuances are issued and exercised in full.

2. INFORMATION ON THE INVESTOR AND RATIONALE FOR THE PROPOSED TRANSACTION

- 2.1 As of the date of this Announcement, the Investor is a consortium formed between the Salim Group led by Mr. Anthony Salim, and the Medco Group led by Mr. Arifin Panigoro. Based on information provided by the Investor:
- (a) The Salim Group is one of the largest conglomerates in Asia which controls Pacific Light Power Pte Ltd, an 800MW power genco in Singapore. The Salim Group owns various investments around the region, including investments in Metro Pacific Investments Corporation, the largest infrastructure investment management and holding company in the Philippines; Maynilad Water Services, Inc., the largest water and wastewater services provider in Metro Manila; Moya Holdings Asia Ltd, the largest water treatment and distribution provider in Jakarta; Meralco, the largest private sector electric distribution utility company in the Philippines; PXP Energy Corporation, an oil and gas company; and Indofood, a diversified food, noodle and beverages company; among others.
- (b) Founded by Mr. Arifin Panigoro, the Medco Group comprises, among others, PT Medco Energi Internasional Tbk ("**MEI**"), various plantations, property, and a financial institution. MEI is an integrated energy and natural resources company with significant interests in oil & gas exploration & production focused principally in Indonesia. It controls and operates the West Natuna Transportation System Pipeline which delivers gas to Singapore, and is also a major shareholder in PT Amman Mineral Nusa Tenggara, Indonesia's second largest copper and gold producer. PT Medco Power Indonesia ("**MPI**"), a subsidiary of MEI owns and operates clean energy power plants with combined gross capacity of 645 MW including the 330MW Sarulla geothermal power plant, the world's largest single-contract geothermal project. MPI also operates and maintains third-party power plants with a total capacity of 2,150MW. MPI will be commencing development of Riau CCPP (275 MW) and Ijen geothermal (110 MW) soon. MPI will continue to prioritise development in the sector of clean and renewable energy.
- 2.2 The Investor was identified by the Company through a competitive bidding process undertaken by the Company as part of its restructuring plans. The Company is undertaking the Proposed

Transaction to reorganise its business and liabilities in connection with the Restructuring Exercise.

3. SALIENT TERMS OF THE PROPOSED TRANSACTION

The following is a summary of the principal terms of the Restructuring Agreement:

3.1 New Shares

The New Shares shall be issued free from all and any encumbrances and shall rank *pari passu* in all respects with all existing Shares provided that subject to Completion, the New Shares shall rank for, including, without limitation, any entitlements, distributions, dividends or rights, on the record date in respect of which falls on or after the date of Completion.

3.2 Investment Amount

The Parties agree that the aggregate investment amount for the subscription by the Investor for the New Shares shall be the sum of S\$400,000,000 (the "**Investment Amount**").

3.3 Shareholder's Loan

Pursuant to the Shareholder's Loan Agreement, the Investor has agreed to grant to the Company a shareholder's loan for the Shareholder's Loan Amount.

3.4 Pre-Completion Working Capital Rescue Financing

Pursuant to the DIP Loan Agreement, the Investor has agreed to grant to the Company the Pre-Completion Working Capital Rescue Financing. In respect of the Pre-Completion Working Capital Rescue Financing, the Company will be making an application to Court under Section 211E(1) of the Companies Act to provide for the loan to be secured by certain assets of the Group.

3.5 Conditions Precedent

Completion of the Proposed Transaction is conditional upon:

- (a) the in principle approval for the Application being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, such conditions for the listing and quotation of the New Shares and Additional Share Issuances on the Main Board of the SGX-ST are acceptable to the Company and the Investor, and to the extent that such conditions are required to be fulfilled on or before Completion Date, they are so fulfilled;
- (b) confirmation from the Securities Industry Council that the Investor and parties acting in concert with it shall not be obliged to, pursuant to or as a result of the Proposed Investment, make an offer for the Company under Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**");
- (c) the holders of Shares approving, at an extraordinary general meeting of the Company, the allotment and issue of the New Shares, Additional Share Issuances and the Whitewash Resolution. "**Whitewash Resolution**" means the resolution to be passed by a majority of holders of the voting rights of the Company at a general meeting waiving their right to receive a general offer pursuant to Rule 14 of the Code;

- (d) a full and final settlement, discharge and/or redemption of the unsecured financial debt (including the medium term notes outstanding), preference shares, perpetual securities, contingent debt and trade debt, through one or more of the following:
- (i) the sanction of the Scheme of Arrangement (as defined below) by order of the Court and it being binding in accordance with the Companies Act;
 - (ii) the amendment(s) to the medium term notes issued by the Company to effect the full and final settlement, discharge and/or redemption of the medium term notes pursuant to the terms and conditions and trust deeds of the medium term notes are approved by the requisite majority of the holders of the medium term notes at a meeting duly convened and held;
 - (iii) the amendment(s) to the perpetual capital securities to effect the full and final settlement, discharge and/or redemption of the perpetual capital securities pursuant to the terms and conditions and trust deeds of the perpetual capital securities are approved by the requisite majority of the holders of perpetual capital securities at a meeting duly convened and held; and/or
 - (iv) the amendment(s) to the terms of the preference shares to effect the full and final settlement, discharge and/or redemption of the preference shares pursuant to the Company's constitution are approved by the requisite majority of the holders of the preference shares at a meeting duly convened and held;
- (e) the necessary approvals, consents and waivers being obtained from:
- (i) the Public Utilities Board, for the issuance of New Shares which will result in a change of control under Clause 21 of the Water Purchase Agreement dated 21 November 2013 entered into between PUB and Tuaspring (as may have been amended, restated and supplemented from time to time);
 - (ii) the National Environment Agency for the issuance of the New Shares which will result in a change in control under Clauses 6.2, 7.2 and/or 19 of the Waste-to-Energy Services Agreement dated 26 October 2015 entered into between the National Environment Agency and TuasOne (as may be amended, restated and supplemented from time to time); and
 - (iii) the Energy Market Authority, for the issuance of New Shares which will result in a change of control of the Company, if required under the Electricity Act (Chapter 89A of Singapore), or any permit or licence issued to the Group by, or any agreement with, the Energy Market Authority; and
- (f) if applicable, any other approvals, consents and waivers from any competent foreign or Singaporean government or governmental, administrative, regulatory, or judicial agency, authority, exchange, tribunal or entity necessary for Completion due to any change in applicable laws (including the enactment of any new applicable laws) being obtained.

For the purposes of the Proposed Transaction,

"Completion Date" means the date falling three business days after the date on which the last of the conditions set out in this paragraph 3.3 is fulfilled or such later date as the Parties may agree in writing; and

"Scheme of Arrangement" means a compromise or arrangement of the unsecured financial debt, preference shares, perpetual securities, contingent debt and/or trade debt, on terms agreed between the Parties, in accordance with Section 210 of the Companies Act.

3.6 Directors

Pursuant to the Restructuring Agreement, and subject to Completion and the prior approval of the nominating committee of the Board (acting reasonably), the Company shall appoint four persons nominated by the Investor to the Board as non-executive directors.

3.7 Management Retention Shares

To ensure continuity of management and minimal interruption of the Company's business, the Parties shall use reasonable efforts to discuss and agree on the commercial terms of the management retention shares to be allotted and issued to certain key members of the management team of the Company.

3.8 Additional Working Capital Facility

The Investor undertakes to the Company under the Restructuring Agreement that it will use reasonable efforts to assist the Company to obtain from third party lenders the grant of additional working capital and trade facilities required by the Company and/or the Group.

4. USE OF PROCEEDS AND GRANT OF NEW SHARES TO GROUP CREDITORS

4.1 The Investment Amount and the Shareholder's Loan Amount (collectively, the "**Proceeds**") shall be applied towards (a) the full and final settlement of each of the unsecured financial debt, preference shares, perpetual securities, contingent debt and trade debt; and (b) the working capital needs of the Group's business (which shall include the repayment of the Pre-Completion Working Capital Rescue Financing).

4.2 The Parties are required under the Restructuring Agreement to use reasonable efforts to discuss and jointly agree on (a) the allocation of the Proceeds towards the full and final settlement of each of the unsecured financial debt, preference shares, perpetual securities, contingent debt and trade debt and (b) the proportion of new Shares to be issued to certain creditors pursuant to the Scheme of Arrangement, in each case, as soon as practicable after the date of the Restructuring Agreement, which shall include the commercial terms for the full and final settlement of each of the unsecured financial debt, preference shares, perpetual securities, contingent debt and trade debt and on terms mutually acceptable to both Parties.

5. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

As mentioned in paragraph 4.2 above, the allocation of the Proceeds is subject to further discussion and agreement between the Parties. It is also subject to the sanction of the Scheme of Arrangement by order of the Court. Accordingly, it would not be possible for the Company to calculate or illustrate the potential financial effects of the Proposed Transaction at this juncture. Such information will be set out in the circular which will be despatched to the shareholders of the Company prior to the extraordinary general meeting of the Company to approve, *inter alia*, the allotment and issue of the New Shares, the Additional Share Issuances and the shareholder's loan pursuant to the Shareholder's Loan Agreement.

6. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Transaction and DIP Financing, other than their respective interests in the Shares.

7. RESPONSIBILITY STATEMENT

The directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction and DIP Financing, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Announcement in its proper form and context.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Restructuring Agreement, Shareholder's Loan Agreement and DIP Loan Agreement are available for inspection at the registered office of the Company at 80 Bendemeer Road, Hyflux Innovation Centre, Singapore 339949 during normal business hours.

9. CAUTIONARY STATEMENT

Shareholders and holders of the securities of the Company are advised to exercise caution at all times when dealing in the shares and/or securities, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Lim Poh Fong

Company Secretary

Submitted to SGX-ST on 18 October 2018