



HYFLUX LTD

Company Registration No.: 200002722Z

(Incorporated in the Republic of Singapore)

ANNOUNCEMENT ON STATEMENTS MADE BY SM INVESTMENTS PTE LTD IN THE MEDIA

The purpose of this announcement is for Hyflux Ltd (the “**Company**”) to address certain statements made by SM Investments Pte Ltd (“**Investor**”) to the media on 28 March 2019 which was reported in various media articles published on 29 March 2019.

As will be elaborated below, the Company would like to highlight that:

- (a) The Company did not withhold material information from the Investor. Information had been provided promptly as and when requested by the Investor.
- (b) The Investor, in objecting to the global cash settlement figure of S\$272 million under the Schemes for the first time on 7 March 2019 (nearly three weeks after the Schemes were published), had sought to rely on information it had been provided more than two months ago on 3 January 2019.
- (c) As of the date of this announcement, despite queries posed by the Company, the Investor has not actually explained how any of the information it has sought to rely on would necessitate a “revision” of its assessment of the working capital needs of the Company (much less state what this revision actually is).

For this purpose, the Company refers to its announcement dated 26 March 2019 (“**26 March Announcement**”) concerning certain disagreements that have arisen between the Company and SM Investments Pte Ltd (“**Investor**”). Unless otherwise defined herein or the context otherwise requires, capitalised expressions used shall have the same meanings as those used in the 26 March Announcement.

As set out in a Business Times Article dated 29 March 2019 titled “*Allocation to Hyflux creditors not agreed on: Salim-Medco, But Hyflux says it will reassess only if SMI ‘reveals its true intentions’*”, the Investor has released the following statements to the media on 28 March 2019:

- (d) “*The allocation set out in the schemes of arrangement proposed by Hyflux is not agreed. Therefore, the schemes do not satisfy the conditions of the restructuring agreement.*”
- (e) “*SMI recently become aware of new material information on the Hyflux group that significantly increases the working capital requirements of the group. In light of the new material information disclosed to SMI, it has been reviewing the allocation of the investment for the working capital requirements of the Hyflux group. This will in turn affect the amount available for settlement to creditors.*”
- (f) “*Had this material information been disclosed earlier, it would have been taken into consideration in the allocation previously discussed with creditor groups.*”

The Company disagrees with these belated allegations by the Investor.

As stated in the 26 March Announcement, the Company and the Investor had agreed on the economic parameters, including the aggregate cash allocation of the Investor's investment, for the settlement of the stipulated financial obligations under the Restructuring Agreement ("**Agreed Economic Terms**") prior to the publication of the Schemes on 16 February 2019. The Company has been advised that the Schemes, if sanctioned by the High Court of the Republic of Singapore ("**Court**"), will satisfy the relevant condition under the Restructuring Agreement.

The purpose of this announcement is for the Company to set out its response in respect of the Investor's allegations concerning "*new material information*" of which it allegedly "*recently become aware*" and which the Investor suggests should have been "*disclosed earlier*" (see (b) and (c) above).

The Company disagrees with such allegations, especially since the bulk of the information which the Investor seeks to rely on to renegotiate the Agreed Economic Terms was provided to the Investor on 3 January 2019.

The first time the Investor stated that it did not agree with the Agreed Economic Terms was in a letter dated 7 March 2019. In particular, the Investor stated for the first time that it in the light of the following "*Recent Information*", the Investor had to "revise" its assessment of the Company's working capital needs and "*has therefore not agreed to the terms contained in [the Schemes]*":

*"However, [the Investor] was only (a) advised of developments in 2019 in relation to various overseas projects, such as the Qurayyat project, the Magtaa project, the Tlemcen project and the Tianjin Dagang project; (b) provided on 1 March 2019 the affidavit of Ms Lum Ooi Lin which reflected a pro forma S\$916.5 million impairment loss for nine months ended 30 September 2018, which arose predominantly from the impairment loss from the assessment of the carrying value of Tuaspring and the impairment of receivables for previously completed projects; and (c) provided access to the data room of Tuaspring (which notably, is the single largest asset of the Hyflux Group) in January 2019, almost three months after the Restructuring Agreement was signed (the "**Recent Information**")."*

[reproduced verbatim]

The Company was surprised by this sudden position taken by the Investor including for the following reasons.

When the Investor signed the Restructuring Agreement on 18 October 2018, the Investor knew that it could not review information related to Tuaspring until it executed the relevant confidentiality undertakings in favour of the PUB. The Investor was kept closely informed and involved through the process of seeking the PUB's approval which commenced shortly after the signing of the Restructuring Agreement. The PUB's approval for SMI to have access to this information was received on Thursday, 20 December 2018. This was communicated to the Investor that same day.

At the same time (*ie*, 20 December 2018), the Investor was asked to provide the particulars of the individuals to be granted access to a virtual data room. The Investor responded on 2 January 2019 with the particulars of their representatives and advisors who were to be granted access to the virtual data room. Access was promptly granted to these individuals the very next day, 3 January 2019.

Despite having access to such information since 3 January 2019, and being informed of developments in 2019 as they occurred, the Investor did not raise any issue with the Agreed Economic Terms throughout the months of January 2019 and February 2019. During this time, the distributions under the Schemes (based on the Agreed Economic Terms) were discussed between the Investor and the advisors of the Company and its stakeholders (including the Unsecured Working Group and the informal steering committee for the holders of Notes).

Even after the Schemes were published on 16 February 2019 (and copies were sent to the Investor), the Investor did not make any mention of the need to revise the Agreed Economic Terms (purportedly in the light of information it had received since 3 January 2019). The Investor's representative had attended the 21 February 2019 hearing where the terms of the Schemes, based on the Agreed Economic Terms, were presented to the Court ("**Hearing**") and all the stakeholders in attendance.

In the circumstances, the Company is unable to explain why, half a month later, the Investor suddenly took the position on 7 March 2019 that the working capital needs of the Company must be reassessed (and the Agreed Economic Terms were no longer agreed to), especially since:

- (a) the Investor had access to the Tuaspring information since 3 January 2019 (eight business days after the PUB had authorised such access and one day after the Investor had informed the Company of the representatives who should be granted access);
- (b) The Investor had been informed of material developments in 2019; and
- (c) The Investor had been provided with the affidavit of Ms Olivia Lum concerning impairment loss on 1 March 2019, which was the same day the affidavit was executed. Moreover, the Company had subsequently written to the Investor to inform the Investor that such impairment loss only concerned accounting treatment and had no impact on actual working capital needs. The Investor has not disagreed with this as of the present date.

The Company responded on 10 March 2019 to refute the Investor's 7 March 2019 letter. On 13 March 2019, the Investor wrote to the Company and maintained the position that it needed to reassess the working capital needs of the Company in the light of the (purportedly) "Recent Information" set out in the preceding paragraph (and defined in the Investor's letter dated 7 March 2019). The Company responded on 16 March 2019 addressing the fallacies in the Investor's changed position.

The next correspondence received from the Investor pertaining to the same subject-matter was received on 26 March 2019. Aside from the "Recent Information" the Investor also sought to rely on other information which it had requested in writing for the first time on 20 February 2019 (the day before the Hearing).

In this regard, the Company had written to the Investor on 23 February 2019 requesting for more time to respond to its information requests in its letter dated 20 February 2019. On 1 March 2019, the Company had written again to the Investor stating that it would provide the Investor with the information requested across the month of March 2019 (and no later than 31 March 2019). The Investor did not object to these timelines proposed by the Company.

By 10 March 2019, most of the information and documents requested by the Investor had been provided, with the balance that was not commercially sensitive to be provided by 31 March 2019 (as indicated in the Company's 1 March 2019 letter). In respect of the Magtaa project, an update on its status was requested for in the Investor's 20 February 2019 letter, and the Company duly provided the update on 22 February 2019. Thereafter, the Investor requested for a copy of the Magtaa Offtakers' Notice on 13 March 2019, and a copy of the same was provided to the Investor within four business days.

As of this date, despite repeated prompting by the Company, the Investor has not explained how any of the information they had referred to in their letters dated 7 March 2019, 13 March 2019 and 26 March 2019 would necessitate a revision of the working capital needs of the Company (much less what this revision actually is).

Neither is the Company aware if the Investor has considered the recent clarification by the PUB concerning its intention to purchase the loss-making Tuaspring Desalination Plant without seeking compensation from Tuaspring—which will decrease the working capital needs of the Group.

Please monitor SGXNet and the Company's website for any announcements or updates on the Reorganisation. If you are a holder of any securities of the Company and wish to receive email alerts providing these updates, please register your request at <http://investors.hyflux.com/contacts.html>. Otherwise, all information and updates will be disseminated via SGXNet and/or the Company's website (<https://www.hyflux.com/financial-reorganisation-exercise/>).

Shareholders and holders of the Securities 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 30 March 2019**