

VIA EMAIL

Mr David Gerald
President and CEO
Securities Investors Association (Singapore)
7 Maxwell Road #05-03
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15 February 2019

Dear Mr Gerald

RE: Letter from Securities Investors Association (Singapore) to the Board of Directors of Hyflux Ltd dated 8 February 2019

We refer to your letter to the Board of Directors of Hyflux Ltd (“**Hyflux**”) through Ms Olivia Lum, Executive Chairman & Group Chief Executive Officer dated 8 February 2019 (the “**Letter**”).

We are very aware of the queries, concerns and comments raised by stakeholders and other onlookers surrounding the Company’s business, finances and the reorganization process. We are deeply saddened and disappointed that despite our continued efforts through the years, the Company’s business did not succeed in the manner we had intended, and the Company now finds itself in its current state. We seek your understanding as the Company works its way through this very difficult time.

So as to facilitate your stakeholders’ review of our responses to your queries, which we have set out in Annex A, we thought it might be helpful to recount an overview of Hyflux’s business and events leading to the current circumstances.

Hyflux’s main business is in the infrastructure space where it provides innovative and effective environmental solutions for its municipal clients. While Hyflux started out as a water solutions provider, over the years, its municipal clients have increasingly sought more integrated solutions to address their water, power and waste management needs. Accordingly, Hyflux has also expanded its solutions offering to meet the changing needs of its municipal clients.

As a technology provider, Hyflux’s core competence is its capability in engineering, procurement and construction (“EPC”) and Operations and Maintenance (“O&M”). In situations where its municipal clients opt for public-private-partnership models in their project tenders, Hyflux also takes on the role of project owner or developer. In such cases, investments in these projects are typically funded through a mix of project finance debt and equity during the construction phase. Recovery of these investments is through collection of tariffs from its municipal clients over the service concession period and/or through proceeds from divestment of the projects.

As a growing company, Hyflux has always adopted an asset light strategy where it divests its stake in the project companies as soon as commercially possible, and recycles the capital into new projects. This is a business model that has served the Group well over the years. Recent examples are its divestment of water assets to Tuspark in 2015 and divestment of its Galaxy Newspring portfolio in 2016, amongst others.

The issues faced by the Hyflux Group today are largely due to its investment in Tuaspring Integrated Water and Power Project in Singapore. Hyflux was named preferred bidder for this project in 2011 due to its innovative proposal for a cost-effective water solution by building an on-site combined cycle power plant, which would supply electricity to the project. As this is an integrated desalination plant with an on-site power plant, there was no change in the primary infrastructure business of the company. Further, with energy cost being the largest cost component of desalination, this integrated solution which allowed the project to take advantage of the energy cost savings from the captive power plant, and apply the same cost savings to the desalination production, enabled synergy and operational efficiency. The technical and financial viability of this proposed model was validated and approved by various parties, including regulators, professional advisors and project finance lenders. The Tuaspring Integrated Water and Power Project also garnered international awards from Global Water Intelligence, and was an important landmark project for Singapore.

Funding for the Tuaspring project was through project finance debt as well as preference shares and perpetual capital securities raised by Hyflux Ltd. In line with its asset light strategy, Hyflux embarked on a divestment exercise of Tuaspring in early 2017 to free up capital for redemption of preference shares in 2018. Despite strong initial interest in this project, several challenges arose including (i) losses from electricity generation, (ii) lack of potential buyers' understanding of the market risks in the Singapore power market compared to other jurisdictions, as well as (iii) unexpected delays with respect to regulatory approval before bidders could get access to project information, leading to a protracted sale process and challenges in retaining bidders' interest in the divestment process. As a result, although the Company received several preliminary non-binding bids from interested parties from all over the world, Hyflux was unable to convert these preliminary bids into final binding bids by the end of 2017 as each of the preliminary bids were subject to the conduct of due diligence and other conditions. Meanwhile, losses from Tuaspring continued.

At this point, it is important to highlight that when the Tuaspring project was first awarded in 2011, the outlook for the Singapore power market was very favorable. The Tuaspring power plant was projected to turn in profits from day one. At that time, new power generation plants were planned to support the country's projected electricity demand with a reserve margin of 30%. Today, however, due to oversupply of gas in the market, the projection by Electricity Market Authority (EMA) in their Singapore Electricity Market Outlook 2017 showed an increase in reserve margin to 80% in 2018. By way of illustration, the average wholesale electricity price has dropped from about SGD220 per MWh in 2011 when the Tuaspring project was awarded to an average of SGD81 per MWh in 2017, resulting in significant losses from electricity generation.

The operating losses of Tuaspring drove Hyflux to record its first full year of loss in 2017. When losses were also reported in its first quarter 2018 results released on 9 May 2018, certain financiers expressed concerns over their ability to continue with existing credit exposures to the Group. This, coupled with the uncertainty of Tuaspring divestment or entry of a strategic investor, raised a significant spectre of an upcoming liquidity crunch. Accordingly, subsequent to discussions with its legal and financial advisors, the Hyflux Board was advised to proactively take steps to make an application for a moratorium order, which is where events stand today.

Questions and Answers

We have prepared responses to the various queries set out in the Letter. To allow for better understanding of our responses, however, we have grouped related questions together, which has re-ordered your original sequence. These responses are set out in Annex A for your review and consideration.

We understand from the Letter that there are queries pertaining to the operations, valuation and accountability of the board of directors that SIAS believes Hyflux has not addressed. We hope you find our responses satisfactory, but to the extent you should have any further questions and concerns around both the events leading up to the restructuring and the restructuring itself, we encourage SIAS and the security holders to come forward to us so that we may have the opportunity to respond as appropriate in order to assist the security holders to make an informed decision with respect to the proposed scheme, which will be disclosed shortly. We firmly believe that the proposed scheme will offer stakeholders a better recovery in this very unfortunate situation, as compared to a liquidation scenario, where there will be no recovery for stakeholders such as ordinary shareholders and holders of perpetual securities and preference shares.

We sincerely look forward to working with you on this important matter. We take your feedback very seriously, and wish to hear from you.

Kind regards

Olivia Lum
Executive Chairman & Group Chief Executive Officer

On behalf of the Board of Directors of Hyflux Ltd

ANNEX A

	Queries	Responses
A.	Operations	
1.	<p>It appears to us, subject to your clarification, that almost every Hyflux asset has material faults and defects which can be categorised as follows:</p> <ul style="list-style-type: none"> a) they have operational defects and cannot operate at or close to capacity- Qurayyat, Magtaa; b) are lossmaking and cannot service their debt with cashflow from operations - Tuaspring and Tianjin Dagang; or c) they are not complete - Tuasone, Tlemcen. <p>What level of scrutiny did the BOD apply to the operations of the main assets of Hyflux? Why were these faults and defects not announced or described in annual reports?</p>	<p>The Board has been kept informed of the progress of operations of the main assets of Hyflux, including critical project issues such as project delays, mitigation plans and progress updates.</p> <p>As in all development projects (whether in this industry or others), it is not uncommon for projects to experience operational issues. In keeping with its policy of transparency and disclosure, the Company has regularly provided updates on the assets of Hyflux . Some examples were discussed in annual reports:</p> <ul style="list-style-type: none"> • Tlemcen plant was completed and started commercial operations as reported in annual report 2011 • The delay in completion of the Magtaa plant has been disclosed in Hyflux’s annual report in 2011 • The Qurayyat project was completed as described in the 2016 annual report and began testing and commissioning. The continued testing and commissioning phase was disclosed in the 2017 annual report. • Since Tuaspring commenced operations in 2016, Tuaspring’s losses have been consistently disclosed in Hyflux’s annual reports since 2016. <p>In respect of Tianjin Dagang and TuasOne project:</p> <ul style="list-style-type: none"> • Loss incurred by Tianjin Dagang has been disclosed in the annual reports in 2014 and 2015. At the moment, the plant is generating positive operational cashflow, however such cashflow has not been sufficient to service its current level of debt due to local financial industry regulations which resulted in a mismatch of the loan tenure to the concession period.

		<ul style="list-style-type: none"> TuasOne’s completion date was slated for May 2019. TuasOne is currently in construction phase.
2.	How was pricing for Hyflux EPC contracts determined?	<p>As is standard in the industry, infrastructure projects are commonly awarded pursuant to a competitive tender process. In this space, and depending on the nature of the project up for tender, Hyflux can tender for a combination of the EPC role, Operations and Maintenance role and/or project ownership role. Accordingly, the nature of the role to be assumed by Hyflux in the project will influence the pricing proposal submitted in the tender.</p> <p>Generally, the pricing submitted by Hyflux in a competitive tender process is based on a combination of factors which are specific to each project in question, which factors include but are not limited to an assessment of past track record of similar projects, technical and financial proposals on the project as received from consultants, assessment of competitors’ interest and the risk profile of the project in question. With regards to the specific query relating to Hyflux EPC contracts, the pricing for such EPC contracts would be determined based on the total project assessment and Hyflux’s role as a whole (whether solely as an EPC contractor, as EPC contractor plus project owner, etc.), and as such EPC profit margins vary from project to project.</p>
3.	Did the Board approve tenders including pricing for large EPC projects?	The Board provides guidance to Management on all tenders to be submitted, including thresholds and benchmarks used for assessment of different projects in different countries as described above as well as profitability to be sought on such a tender. Upon an award of a tender, all major projects would then be approved by the Board.
4.	Did the BOD monitor progress on these contracts and were they aware of issues as they arose at these projects?	Yes. The Board is kept informed by Management on the progress of projects generally, and is kept updated on critical project issues such as project delays, mitigation plans and progress updates.
5.	Is the O&M business a source of future value for Hyflux	For certain projects developed by Hyflux, it provides O&M services over the service concession period of

	current stakeholders? If not, why not?	the project which can span 20-30 years. The order book thus reflects the future revenue expected over these concession periods. However, the annual revenue contribution from O&M contracts is low when compared to EPC contracts.
6.	How were these O&M contracts priced? Did the Board approve their pricing?	These O&M contracts are typically priced to recover costs plus margin, based on strategic guidance provided by the Board to Management. Individual O&M contracts are not generally subject to Board approval.
B. Perpetual Securities; Preference Shares		
7.	How were the funds from the perpetual securities and preference shares used and how did this compare to the use of funds set out in the respective prospectuses?	<p>The proceeds raised from the perpetual securities and preference shares were used in accordance with the stipulated "Use of Funds" as per the respective prospectuses. More particularly:</p> <ul style="list-style-type: none"> • The SGD400mil Preference shares were used to fund the Hyflux's water and infrastructure projects and for general working capital needs. • The SGD500mil perpetual securities were used for repayment of SGD100mil notes due 2016 redemption of SGD175mil perpetual securities with first call date in July 2016 and general corporate purposes, including the repayment and/or refinancing of existing borrowings, redemptions of outstanding perpetual capital securities, financing of working capital and/or capital expenditure requirements of the Hyflux. <p>For more information of redemption of SGD175mil perpetual securities with first call date in July 2016, please see below response</p>
8.	On 30 May 2016, Hyflux raised SGD500 million of perpetual securities with an interest rate of 6%. In July 2016, Hyflux repaid SGD175 million of perpetual securities which had a coupon	The SGD175million 4.8% perpetual securities were due for its first call date redemption in July 2016. If not redeemed by Hyflux in July 2016, the coupon would step up to 6.8%.

	of 4.8%. Why did the BOD refinance the lower dividend perpetual securities with similar securities paying a higher dividend?	Accordingly, the Board considered that it was prudent to refinance it with the 6% perpetual securities than to allow for the step up in coupon.
9.	Why did Hyflux not pay the distribution for the PCS holders when just 3 months before, it conducted the Hyfluxshop dividend in specie exercise to ordinary shareholders? Did it know when the dividend in specie exercise was conducted that it would be unable to pay the distribution for the PCS holders?	<p>When the Hyfluxshop dividend in specie exercise was approved by shareholders on 1 February 2018, Hyflux did not at that time intend to undergo any reorganization. After the release of its Q1 2018 results on 9 May 2018, given the prolonged weakness in the Singapore power market and its impact, Hyflux decided on 14 May 2018 to appoint external advisors to look into the Group's financial situation. Hyflux was advised that its cash should be conserved and used for only critical payments while it carried out its reorganization exercise and not to make the payment distribution on 28 May 2018.</p> <p>WongPartnership LLP are the legal advisors and Ernst & Young Solutions LLP are the financial advisors appointed.</p>
C.	Financial Performance; Dividend Policy	
10.	Hyflux Group has generated negative operating cashflow in every year since 2009. Was this highlighted to bondholders and shareholders? If so, in what form?	These financial metrics have been publicly disclosed by Hyflux on a quarterly basis, and are available to all bondholders and shareholders. As an SGX-listed company, Hyflux releases its financial statements, including cashflow statements, on a quarterly basis. These statements are available on both the company's website, in its annual reports, as well as on the SGX website. These financial statements were also included in the prospectuses for the perpetual securities and preference shares. Please see responses under question 11 below for more explanation on negative operating cashflow.
11.	Why did the Board continue to pay dividends, when the operating cashflow was negative and accumulate more debt during this time?	It should be noted that dividends are declared and paid out of Hyflux's retained earnings. Retained earnings include profit from divestment gains (such as the gains of the China water plants, the Hyflux Innovation Centre, Marmon joint venture, among others), as well as profit generated from EPC and other contracts.

		<p>Prior to 2017, Hyflux had been recording net profits, thus resulting in significant retained earnings, allowing it to declare dividends on an annual basis. These dividends were reflective of the year's profit achieved.</p> <p>It should be further noted that due to the nature of Hyflux's business, namely the ownership and development of infrastructure projects for subsequent divestment and sale, during the construction phase of any project there is necessarily a negative cashflow recorded by Hyflux in relation to such project, as Hyflux is required to invest and fund substantial capital expenditure to construct such a project, but has no incoming revenue derived from such project until construction is complete and operations have commenced. In the case of projects where Hyflux is both contractor and owner, the quantity of the negative cashflow is correlated to the size of the project (i.e. the larger the project, the greater the negative cashflow).</p> <p>In the same vein, investments into these projects are funded by debt and equity, hence the accumulation of more debt during this period. These investments during the construction phase are recovered from the sale proceeds of the project and /or through tariff payments over the concession period. Typically, when the project is sold, Hyflux records sale proceeds in excess of book value as a profit, which is then recorded as retained earnings in its balance sheet and used to fund any declared dividends. Over the last few years, particularly since 2011, Hyflux was investing heavily into constructing the Tuaspring project, the Qurayyat project, and the TuasOne project (the approximate values of these projects are SGD1.4billion, USD250million and SGD750 million respectively), hence its negative cashflow in those years. However, it still had retained earnings on its balance sheet due to the divestment gains of past projects and investments, as well as EPC profit from other projects, hence it was able to declare dividends. By way of illustration, during the period from 2007 to 2016, Hyflux recorded cumulative profit after tax and minority interests of SGD527 million.</p> <p>It was not until 2017 that Hyflux recorded a net loss. Accordingly no cash dividends were declared for 2017.</p>
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12.	<p>Despite the negative operating cashflow, Hyflux reported profits in each year up to 2017. How was this possible?</p>	<p>Hyflux’s profits are largely derived from EPC activities, O&M and divestment gains. In the case of EPC activities, revenue and profits are recognized progressively in the Income Statement in accordance with FRS 11 Construction Contracts. Cashflow is a separate financial metric which sets out cash outflows and inflows over a specific period of time, but does not necessarily correlate with profit and loss in the same period. Consistent with its business model, Hyflux recorded negative operating cashflow due to its heavy investment in the construction phase of its large infrastructure projects such as Tuaspring, Qurayyat and TuasOne.</p>
13.	<p>On 22 March 2018, KPMG provided a clean a clean audit report for Hyflux Group for the financial year 2017.</p> <p>a) On what basis did the audit committee, the Board and KPMG establish that preparing the accounts for the year ended 31 December 2017 on a going concern basis was appropriate?</p> <p>b) On what basis did KPMG "Conclude on the appropriateness of management's use of the going concern basis of accounting"?</p> <p>c) On 22 May 2018, Hyflux Limited and a number of subsidiaries filed for court protection from creditors. What happened between 22 March 2018 and 22</p>	<p>When KPMG issued an unqualified opinion on the full year results for the Hyflux Group in March 2018, there were no events or conditions that individually or collectively, cast significant doubt on the going concern assumption as at the balance sheet date of 31 December 2017, or at the audit report date of 22 March 2018.</p> <p>The operating losses of Tuaspring drove Hyflux to record its first full year of loss in 2017. When losses were also reported in its first quarter 2018 results released on 9 May 2018, certain financiers expressed concerns over their ability to continue with existing credit exposures to the group. This, coupled with the uncertainty of Tuaspring divestment or entry of a strategic investor, raised a significant spectre of an upcoming liquidity crunch. Accordingly, subsequent to discussions with its legal and financial advisors, the Hyflux Board was advised to proactively take steps to make an application for a moratorium order, which is where events stand today. At that point in time, the company was in full compliance with its financial covenants and was not in default of any financing facility.</p>

	<p>May 2018? At what point did the BOD know or Hyflux management realise that Hyflux was unable to meet its debt obligations? Why didn't the BOD seek help earlier?</p>	
<p>14.</p>	<p>Hyflux claims that its financial issues were caused by the low electricity prices and thus Tuaspring was unable to make a profit. A liquidation of Hyflux would compromise SGD2.6 - 2.7 billion of outstanding and contingent debt.</p> <p>a) This cannot be entirely as a result of a weak electricity market in Singapore?</p> <p>b) What are the other factors that have resulted in the current financial position of Hyflux?</p>	<p>Hyflux's primary business is in the infrastructure projects sector, which is capital intensive. It thus relies on a mix of equity and debt financing to fund the construction and development of its projects. Hyflux adopts an asset light strategy where it invests in projects as a project owner, and subsequently divests its interest in such projects as soon as commercially feasible in order to free up capital. This business model has been successfully demonstrated through the years. Some recent examples are its divestment of water assets to Tuspark in 2015 and the divestment of its Galaxy Newspring portfolio in 2016.</p> <p>Tuaspring is the largest asset on Hyflux's balance sheet and the weak electricity market in Singapore, together with delays in obtaining offtaker approval for the prequalification of bidders to receive information, and conduct due diligence, on Tuaspring, has resulted in a prolonged divestment exercise which contributed to Hyflux's liquidity situation. A divestment of a project of Tuaspring's size takes time and depends on many factors outside the control of Hyflux, such as market conditions, number of bidders, obtaining regulatory approval for disclosure of information, etc. Tuaspring, being a loss making asset, requires significant due diligence for potential buyers to understand the asset as well as the Singapore power market dynamics.</p> <p>In 2017 compared to 2016, Hyflux's profitability was also impacted by lower EPC activities, in line with the respective planned construction phases of the two major projects, namely the TuasOne WTE Plant in Singapore and the Qurayyat IWP in the Sultanate of Oman.</p>

		<p>After the commencement of the moratorium, a second divestment exercise of Tuaspring was carried out. Out of 8 interested parties, only 2 were eventually approved by the off-taker to receive the necessary information on the project, thus adversely affecting the potential divestment of Tuaspring.</p>
15.	<p>On what basis were all the major assets of Hyflux being valued? Why were there no impairment write-downs being made on these investments?</p>	<p>All major assets of Hyflux are measured at fair value, in accordance with the <i>Financial Reporting Standard ("FRS") 39 – Financial Instruments: Recognition and Measurement</i> and <i>FRS 105 – Non-current Assets Held for Sale and Discontinued Operations</i>. These assets are assessed at the end of each reporting period to determine whether there is objective evidence that they are impaired, in accordance with <i>FRS 36 – Impairment of Assets</i>.</p> <p>In accordance with the Group’s accounting policies (set out in the Annual Reports), an impairment loss, once determined, is recognised in the Income Statement in the relevant period.</p> <p>Impairment losses recognised in respect of all non-derivative financial assets and non-financial assets, including investments, (if any) have been disclosed in the Annual Reports in the respective years.</p> <p>The financial statements of Hyflux, as in all general purpose financial statements, have been prepared using the going concern basis of accounting. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future.</p>
D.	Tuaspring	
16.	<p>How was the shareholder loan of SGD57 million from Hyflux to Tuaspring funded?</p>	<p>It should be clarified that the amounts funded by Hyflux Ltd. to Tuaspring via shareholder loans were an aggregate total of SGD982 million as at 31 December 2016 (being the latest audited accounts available for Tuaspring). Tuaspring was funded through a combination of non-recourse project financing debt,</p>

		<p>shareholder loans and equity from Hyflux Ltd. The shareholder loans and equity from Hyflux Ltd. to Tuaspring were funded from the proceeds of the issuance of the SGD 400M Preference Shares raised in 2011, partly from SGD500M Perpetual Securities raised in 2016 which replaced earlier repayment of notes and redemption of perpetual securities and other corporate debt of Hyflux Ltd. (Note: The SGD500mil perpetual securities were used for repayment of SGD100mil notes due 2016, redemption of SGD175mil perpetual securities with first call date in July 2016 and general corporate purposes, including the repayment and/or refinancing of existing borrowings, redemptions of outstanding perpetual capital securities, financing of working capital and/or capital expenditure requirements of the Hyflux group.)</p>
17.	<p>What is the monthly cash burn at Tuaspring? What are Tuaspring's current cash reserves?</p>	<p>Based on 2016 audited accounts for Tuaspring, being the most recent audited accounts, Tuaspring's operating cash outflow for that year was SGD 70 million. We are unable to disclose the requested financial information on Tuaspring's current cash reserves due to non-disclosure obligations owed to the offtaker of Tuaspring.</p>
18.	<p>What is the current market value for the Tuaspring asset?</p>	<p>There is no ascertainable current market value on Tuaspring at this current point in time, as a fair market value would be an estimate based on what a willing and ready buyer would attribute as a valuation to the Tuaspring asset, and there are currently no third parties looking actively to acquire this asset.</p>
19.	<p>Tuaspring has been loss making since it commenced operations in 2015. Why did the Board not consider it prudent to write down/impair the asset?</p>	<p>Although Tuaspring has been generating losses since it commenced operations in 2016, the long term view by industry experts is that the Singapore power market will recover. In 2016, once Tuaspring commenced operations, Hyflux commissioned an independent expert valuation of the project. The independent expert produced an independent valuation report that supported the book value of the project.</p> <p>In late 2017, during the Tuaspring divestment process, the Company received three preliminary non-binding bids that similarly supported the book value of the project, although these non-binding bids were subject</p>

		to due diligence and other conditions. Accordingly, in 2017 the Board did not see reason at that time to impair the book value of Tuaspring.
20.	On what basis was Tuaspring being valued at SGD1.4 billion? This has proven to be overstated by at least SGD900 million as Hyflux has confirmed any bids received in the 2018 sale process for Tuaspring were for less than Maybank' s outstanding project finance debt of approximately SGD500 million?	<p>When Hyflux was first awarded the Tuaspring project in 2011, based on the financial model which modeled the cashflow projections from the project, the power plant was expected to generate profits from day one. This financial model was audited by an external financial model auditor and furnished to the offtaker. In 2013 when Tuaspring was able to secure a non-recourse project financing loan, the lender commissioned an independent market study of the project which arrived at similar conclusions supporting the book value of approximately SGD1.4 billion.</p> <p>When the Tuaspring power plant entered into commercial operations in 2016, the lender commissioned another independent market study before the drawdown of the second tranche of the project finance loan, which valuation also then supported the book value ascribed to the Tuaspring project. However, while the 2017 divestment process attracted three preliminary non-binding bids that also supported the book value of the project, the 2018 sale process for Tuaspring during the moratorium did not yield a similar bid due to the limited number of parties pre-qualified to perform due diligence at such time.</p> <p>Please refer to https://www.hyflux.com/qa-from-second-noteholders-townhall-meetings/ for further details on the Tuaspring divestment process.</p>
E.	Management	
21.	Is it proposed that Olivia has any role in Hyflux group after its restructuring – if so, on what basis?	Olivia is happy and willing to take on a role in Hyflux following the restructuring. She remains committed to the continued success of Hyflux and to ensuring a smooth implementation of the transition and the restructuring plan. As SMI will be the 60% majority shareholder of Hyflux following the restructuring, any formal position to be held by Olivia following the restructuring will be subject to discussions with SMI.
22.	In the time that shareholders and bondholders have seen	Olivia is very cognizant of the losses suffered by all the stakeholders, including the lenders, MTN holders,

	<p>their entire investment destroyed, Olivia Lum has received over SGD60 million in dividends from her 34% ordinary shareholding in Hyflux. In addition, she has received significant salary, benefits and bonuses and earned between SGD750,000 and USD1 million in 2017, a year in which Hyflux reported losses of SGD115.6 million and a period which was five months prior to Hyflux Group filing for Court protection from creditors and when Hyflux has been losing huge amounts of cash and building projects.</p> <p>Why isn't Olivia contributing her gains to the restructuring process?</p>	<p>perpetual securities holders, preference shareholders and ordinary shareholders, and she is deeply saddened for the pain and loss suffered. She will suffer a significant loss – her personal net worth is tied inextricably to her stake in Hyflux, as she has not sold any of her shares in Hyflux since 2006. As a result of this restructuring, she will see her current equity stake diluted substantially on the same terms as all other stakeholders, and she will lose her controlling position in the Company. She has also volunteered to relinquish all rights to any management retention shares that would otherwise be awarded to her pursuant to this restructuring process. And, she continues to try to find ways to enhance the recovery for the perpetual securities and preference shares holders.</p> <p>The Company has noted that there have been inaccuracies recorded in various news articles surrounding Olivia's dividends from her shareholding in Hyflux. In contrast to the newspaper reports and the SIAS narrative suggesting that Olivia had received over SGD 60 million in dividends from her shareholding in Hyflux in 2017, the Company wishes to clarify that she did not receive any cash dividend for financial year 2017. Over a period of 10 years from 2007 to 2016, she received about SGD58million in proportional cash dividends declared and paid to shareholders. During the same period (2007 to 2016), Hyflux recorded cumulative profit after tax and minority interests of SGD527 million and total ordinary shareholders dividends was SGD186 million.</p>
23.	<p>How was Hyflux able to justify such large remuneration to Hyflux's key executives (as referenced in page 34 of Hyflux's 2017 Annual Report) given Hyflux's financial position and the performance of the Hyflux Group businesses and assets?</p>	<p>The remuneration for key executives has decreased from SGD2.9 million in 2016 to SGD2.7 million in 2017. Since 2016, the salaries of key executives have been frozen, and no variable bonuses have been paid out. Further, since 2011 the CEO's salary has remained unchanged.</p>
24.	<p>Many of the executives also appear to be shareholders. Are these executives contributing anything to the restructuring?</p>	<p>Executives are incentivized to align their interests with the company through the issuance of employee stock options under the company's Employee Stock Option Scheme. These stock options form part of each</p>

		executive's remuneration. As a result of the restructuring, these stock options are now worthless and likely to be extinguished as part of the restructuring. As such, these executives are in similar straits as that of the stakeholders.
25.	The 2017 annual report (on page 33) states that the Remuneration Committee "ensures that remuneration arrangements demonstrate a clear link between reward and performance." What was the role the Hyflux Group Remuneration Committee during this time?	The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior management employees.
26.	On what basis did they establish the remuneration paid to Hyflux executives in 2017 was appropriate?	The Remuneration Committee did not approve any salary increments or variable bonus payouts for key executives for the years 2016, 2017 and 2018.
27.	It must be incumbent on Hyflux Group to investigate through an independent investigation on the role of all key executives in the collapse of Hyflux group. Has this commenced? Will the results be made public?	The decision for Hyflux to proactively file for Section 211B court protection was due to liquidity concerns and constraints that were the result of continued weakness in the Singapore power market leading to further operating losses at Tuaspring, and the lack of certainty surrounding the injection of new funds from the divestment of Tuaspring and Tianjin Dagang. Nothing has come to the Board's attention of any wrongdoing on the part of any executive or board member that should require an independent investigation.
28.	Has any investigation been carried out into the role of the auditors? Are they to contribute to the restructuring?	Nothing has come to the Board's attention regarding the wrongdoing of the auditors that warrants an investigation to be carried out.
F.	Restructuring and Process	
29.	EY have indicated that in a liquidation, unsecured creditors are estimated to	[Response from EY]

<p>receive 3.8% to 8.7% recovery and SGD900 million perpetual and preference shareholders received zero return. Can EY state the assumptions used to justify its calculation of the liquidation value?</p>	<p>The liquidation analysis details a range of estimated realisations from a theoretical liquidation scenario of Hyflux Ltd.</p> <p>Hyflux Ltd is a holding company with the group's projects and assets contained within subsidiaries or associate companies. In a liquidation, recoveries for creditors of Hyflux are dependent upon value being recovered from these subsidiaries / associates (including outside of Singapore in a number of cases), which need to settle their own liabilities first before any remaining value ("equity value") can be passed up to the Hyflux holding company level for its creditors.</p> <p>Some key overarching assumptions underpinning EY's theoretical liquidation analysis are as follows:</p> <ul style="list-style-type: none">i. Upon commencement of a liquidation of Hyflux Ltd, many of the other Hyflux Group entities (including Hydrochem and the EPC business generally) are assumed to enter liquidation on or around the same time;ii. Construction activity on projects such as, but not limited to, TuasOne and Qurayyat, would immediately cease;iii. Most of the Hyflux Group's employees would have their contracts of employment immediately terminated, although EY assumes a small base of skeleton staff would be retained by the liquidator to assist with the realization of assets;iv. In order to maximize returns for creditors, EY have assumed that certain asset owning entities / investments which do not require financial support from Hyflux Ltd, do not enter liquidation and are instead realized through the sale of shares via an orderly sale process.
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		<ul style="list-style-type: none"> v. Tuaspring – assumed sale process in a liquidation scenario is not likely to yield any excess net sale proceeds over the secured bank debt. vi. Magtaa and Tlemcenn - unlikely to be any value in the shares taking into consideration inter alia, bank security, shareholder agreements and offtaker obligations. vii. Realisation values mainly attributed to China assets (including Tianjin Dagang, Tus Water), PT Oasis (which has since been sold), SingSpring Trust, and Hyflux Shop. viii. Crystallisation of all contingent liabilities which include performance bonds and corporate guarantees was assumed, amounting to approximately SGD1.9b of senior unsecured liabilities and SGD900m of subordinated unsecured obligations. <p>Given the senior unsecured creditors would potentially obtain a return over a number of years, of between 3.8% to 8.7% in a liquidation, the subordinated unsecured creditors (i.e preference shares and perpetual securities holders) would not get any return. Although a liquidation analysis is based on assumptions, given the large gap between what is estimated to be received in a liquidation and the total senior unsecured liabilities (which need to be settled in full prior to any returns to subordinated unsecured creditors), this would render the likelihood of subordinated unsecured creditors obtaining a return being extremely remote.</p> <p>An EY report on the liquidation analysis will be attached to the Scheme document/ Explanatory Statement and circular to shareholders.</p>
30.	By releasing the restructuring terms one month before the intended scheme meeting, Hyflux is providing very little	<p>[Response from Wong Partnership]</p> <p>The timetable is dictated by the long stop date of 16 April 2019 stipulated in the restructuring agreement with the investor. Before proposing the scheme,</p>

	<p>time for investors to evaluate the deal. Why is Hyflux setting such a rushed timetable?</p>	<p>discussions with representatives of stakeholder groups and town hall sessions to obtain views were necessary in order to formulate a proposal that would be fair and reasonable to all stakeholder groups in the current circumstances.</p> <p>The scheme meeting will take place on 5 April and over the next two months, Hyflux will engage with stakeholders to respond to queries arising from their evaluation of the deal proposed.</p>
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