

**MEMIONTEC HOLDINGS LTD.**  
(Company Registration No. 201305845W)  
(Incorporated in the Republic of Singapore)

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**RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN  
RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31  
DECEMBER 2019**

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The board of directors (the “**Board**” or “**Directors**”) of Memiontec Holdings Ltd. (“**Memiontec**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report (“**Annual Report 2019**”) for the financial year ended 31 December 2019 (“**FY2019**”). The Company wishes to provide its responses to the queries from SIAS below:

**SIAS Query 1**

*As stated in the Corporate profile (page 1 of the annual report), the group is an established one-stop water technology total solutions provider with a track record of over 20 years.*

*The core business segments are the provision of:*

- *total solutions with engineering, procurement and construction (“TSEPC”) services;*
- *operation, maintenance and service of water and wastewater treatment plants (“OMS”);*
- *sales and distribution of modular and customized systems and equipment (“SDS or Trading”); and*
- *operation and maintenance of water treatment facilities and sales of water (“SOW”).*

*In the offer document dated 21 February 2019, the company stated that while the group designs, develops and builds solutions for customers, it has not and is not able to apply for any patents in respect of the designs and applications as the technology is still evolving (page 44 of the offer document).*

- (i) ***Would management help shareholders understand the unique selling point of the group? How does it distinguish itself from other contractors and suppliers and be able to command a superior and sustainable margin?***

**Company’s Response**

As highlighted in the “Chairman & CEO Message” section of the Annual Report 2019, Memiontec has spent the last two decades building a strong business track record that laid the foundation for the Group to be a one-stop, water technology total solutions provider with a unique business model which distinguishes it from other companies, contractors and suppliers in the water industry.

The Group has a unique business model having regard to the combination of the Group’s competitive strengths as follows:

- (a) The Group is a water technology company, not just a mechanical contractor with ME11<sup>1</sup> L6 BCA license, that integrate its process and technical knowledge while leveraging on its in-house capabilities in design, sourcing and fabrication, to offer cost effective and reliable solutions for both the municipal and industrial sectors.
- (b) The Group has built diversified revenue and income streams from multiple business segments (as mentioned in SIAS Query 1 above), varied sectors of the water industry value chain and different geographical locations.

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<sup>1</sup> ME11: Workhead for Mechanical Engineering under The Building and Construction Authority of Singapore (“**BCA**”)’s contractors registration system.

- (c) The Group's engagements in TOOT and BOOT projects, under joint arrangement with PT Jakarta Utilitas Propertindo ("**PT JUP**"), a Jakarta government-owned company, has built a base for the Group in bringing in stable, recurring and long-term income over 25-year concession periods. The inclusion of these BOOT and TOOT projects differentiates Memiontec as a listed water technology company with a stable income stream from its portfolio of income generating assets right from the time of the Company's listing on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 5 March 2020 ("**Listing**").
- (d) Through its consistent quality work and application of advanced water technologies, the Group has established a strong regional presence in its key markets, namely Singapore and Indonesia. The Group has gained a reputable and diverse customer base whom it will continue to serve better and provide best-in-class value-add and customised solutions.
- (e) Underpinning this foundation is a team of competent, well-qualified and highly experienced Executive Directors and key management personnel.

Because of its diversified and yet synergistically linked business segments, varied industries, different operating countries and strong management team, the Group is in a better position to secure work orders with improved margins, amidst the changing market and economic conditions in the region.

**(ii) Has the board mapped out its research and development (R&D) roadmap?**

**Company's Response**

The Group has not mapped out a definitive roadmap on R&D as it is focusing its priority and resources toward expanding and extending its business to the region for continuing and sustainable profit growth.

As mentioned in the "Chairman & CEO's Message" section of the Annual Report 2019, the Group has just started to build its human capital to drive the advancement of its water and wastewater treatment technologies, through self-development or external collaboration with research institutes, with an aim to maximise production yield and cost-efficiency of the product and system that the Group designs and integrates.

The Group started working closely with Intellectual Property Office of Singapore (IPOS) at the end of 2019 with the intent to reap potential benefits from its proprietary trade knowledge and expertise, good reputation as a trusted brand, possesses valuable licenses of highest grades in Singapore and Indonesia, strong partnerships and network relations with established companies, as well as other intangible assets that could be identified as uniquely our own.

The Group recognizes that more R&D efforts would be needed in the future to enable the Group to own patented technologies to secure competitive advantages in its offerings to clients and it intends to do so at an appropriate time.

**SIAS Query 2**

*In the Risk Factors section of the offer document, it was stated that, pursuant to the Joint Venture Agreement, the company's subsidiary, PT Memiontec Indonesia ("PTMI"), is required to seek prior written approval from PT Jakarta Utilitas Propertindo ("PT JUP") for the change in shareholding composition of PTMI. The change in shareholder composition of PTMI happened in early 2019 during the Restructuring Exercise.*

*In particular, the company also disclosed the following in the offer document (page 41):*

*"Although there continues to be a good working relationship between PT JUP and PTMI, there is no assurance that PT JUP will not deem PTMI's failure to obtain its prior written consent an event of default. In the event that PT JUP pursues such default under the JV Agreement and in the event of a failure to achieve an amicable settlement or if any consequential arbitration is not favourable to us, our business, operations, financial performance and prospects may be adversely affected. Additionally, any amortization and/or write-off of our Group's acquired or merged entities and joint ventures may have a material adverse impact on our business, operations, financial performance and prospects."*

- (i) **Can the board help shareholders understand if there has been any progress made in resolving the outstanding issue of a potential event of default due to the change of shareholding composition of PTMI to safeguard the interests of shareholders?**

**Company's Response**

In view of the short span of time between now and the date of the Company's offer document dated 21 February 2020 in respect of the Listing on 5 March 2020, as well as the current COVID-19 pandemic and lock-down circumstances, no active discussions were conducted on this subject matter between PT JUP and PTMI over the last two (2) months.

Notwithstanding the above and now that the Company is listed on the SGX-ST, the working relationship between PTJUP and PTMI continues to be good and mutually beneficial. The Group is aware of the concerns on the potential risk and will update the Company's shareholders accordingly on SGXNet as and when there is material development on this matter.

**SIAS Query 3**

*The group currently has a Build-Own-Operate-Transfer (BOOT) project and a Transfer Own-Operate-Transfer (TOOT) project in Jakarta, Indonesia. The group is currently involved in the sales of treated water via the TOOT and BOOT arrangements.*

- (i) **Can management help shareholders understand the typical investment amount and the payback period for a long-term BOOT/TOOT project?**

**Company's Response**

In Indonesia, BOOT projects are open for participation by private sectors under the Public Private Partnership (PPP) program. Across the country, (i) urban domestic demand for water is predicted to increase from about 190 cubic metres ("m<sup>3</sup>") per second in 2015, to 260 m<sup>3</sup> per second by 2030<sup>2</sup>; and (ii) industrial demand for water is predicted to double from 14 m<sup>3</sup> per second in 2013, to 29 m<sup>3</sup> per second in 2030<sup>3</sup>.

A portion of the aforementioned demands for water would represent potential opportunities for private water companies, like Memiontec, to form joint ventures of BOOT projects with local partners (such as local authorities and state-owned companies). Based on enquires received and information gathered by PTMI to-date, the typical size or capacity of plant is on average 500 litre per second ("lps") or 0.5 m<sup>3</sup> per second, with smaller size ranging from 200 lps to medium size of 1,000 lps.

Based on past experience and knowledge of the water industry, the Group expects that an estimated investment amount for a mid-sized plant in Indonesia would typically be in the region of S\$20 million with a 25% variance (+/-), excluding cost of land and other infrastructure such as reservoirs and piping distribution network. In assessing any investments in joint ventures, the Group will consider, among others, factors such as an appropriate equity-to-debt ratio and preferred shareholder stake, as well as the Group's net equity contribution to such investments.

As part of risk management, the Group will generally conduct a feasibility study with the identified local partners and the relevant authorities to establish the techno-economic viability of the proposed BOOT joint venture. The Group would invest if the BOOT projects can secure the project financing from local banks and the payback period is in line with the prevailing market norm. The Group is unable to provide any specific payback period as these information are commercially sensitive.

Due to the relatively capital-intensive nature of such BOOT projects, the Group would seek strategic investors and partners to co-invest in these projects, subject to terms that are attractive and acceptable to the Group,

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<sup>2</sup> The information was extracted from the internet publication titled "Indonesia – Country Water Assessment" of the ADB at <https://www.adb.org/sites/default/files/institutional-document/183339/ino-water-assessment.pdf>, last accessed on 2 December 2019.

<sup>3</sup> The information was extracted from the internet publication titled "Indonesia – Country Water Assessment" of the ADB at <https://www.adb.org/sites/default/files/institutional-document/183339/ino-water-assessment.pdf>, last accessed on 2 December 2019.

and where the Group believes that such investors or partners would mitigate the financial and business risks that it may face and co-share the returns of these projects.

### **SIAS Query 3 (continued)**

*In the TOOT project with PT JUP, the sale of water is carried out by the joint operation formed with PT JUP, under the TOOT arrangement for 25 years since November 2018. In the BOOT project with PT JUP, the joint venture entity is responsible for the sale of water for a concession period of 20 plus 5 years from December 2019 where the group will account for the joint venture's results using equity method of accounting.*

**(ii) What is the impact due to the currency fluctuations of the IDR on the current projects? How does management assess the risks of fluctuation in the foreign exchange rates when evaluating future projects?**

### **Company's Response**

The Group is subject to translation risks as its consolidated financial statements are reported in Singapore dollars (“S\$”) whilst the financial statements of, amongst others, its Indonesia subsidiaries and associated company are prepared in Indonesia rupiah (“IDR”) (being the currency of the primary economic environment in which these entities operate).

With respect to its BOOT and TOOT projects, the Group has made one-off equity contributions in IDR to each of the BOOT and TOOT projects in earlier years. Accordingly, the impact of foreign exchange fluctuations on these investments would be recorded in the “translation reserves” of the Group's balance sheet.

As for the on-going commercial operation of the respective plants, the bulk of the cost of production of water (such as labour, electricity, local supplies, factory overhead, etc.) are denominated in IDR, except for some components, spare parts and speciality chemicals that need to be imported and are denominated in foreign currencies. Since the tariff for sales of water is in IDR, the revenue and expenses are quite naturally matched, hence the Group believes that foreign exchange risk is low and manageable.

In the evaluation of future BOOT projects, the Group will conduct feasibility studies that include sensitive analysis of foreseeable risks, including but not limited to, the fluctuation of foreign exchange, inflation, bank interest rates and country risk. The final internal rate of return (IRR) determined and the decision making would have considered all relevant risks, as highlighted above.

### **BY ORDER OF THE BOARD**

Tay Kiat Seng  
Chairman and Chief Executive Officer

12 May 2020

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (“Sponsor”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalyst.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.*