

# ANNAIK LIMITED

(Company Registration No. 197702066M)  
(Incorporated in the Republic of Singapore)

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## RESPONSE TO QUERY FROM SGX-ST ON BEING AWARDED WUJIANG VILLAGE GARBAGE AND RURAL WASTEWATER TREATMENT INFRASTRUCTURE\* (武江区村镇生活垃圾和污水处理基础设施整区) PUBLIC-PRIVATE PARTNERSHIP ( “PPP” ) PROJECT IN WUJIANG DISTRICT, SHAOGUAN CITY, GUANGDONG PROVINCE\* (广东省韶关市武江区), THE PEOPLE'S REPUBLIC OF CHINA

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The Board of Directors (the “Board”) of AnnAik Limited (the “Company” and together with its subsidiaries and associated companies, the “Group”) would like to provide the following information in response to query from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in respect of the Company’s announcement dated 17 August 2018 on being awarded Wujiang Village garbage and rural wastewater treatment infrastructure\* (武江区村镇生活垃圾和污水处理基础设施整区) PUBLIC-PRIVATE PARTNERSHIP ( “PPP”) project in WUJIANG DISTRICT, SHAOGUAN CITY, GUANGDONG PROVINCE\* (广东省韶关市武江区), THE PEOPLE'S REPUBLIC OF CHINA.

### SGX-ST’s query 1

It was stated that the maiden PPP project was awarded in July 2018 by Wujiang District, Housing and Urban Construction Bureau – are there any reasons why this is only announced now?

### Company’s Response

The Company received the signed PPP project agreement on 15 August 2018 because the arrangement for all parties to sign took a longer time than expected and the Company only wanted to announce after the agreement is signed by all parties in order for it to be considered valid.

### SGX-ST’s query 2

It was stated that the JV Company Shaoguan Angrui Environmental Technology Development Co., Ltd was set up on 22 Jun 2018 – are there any reasons why this is only announced now?

### Company’s Response

The JV was mainly set up for the purpose of undertaking the PPP project. The Company only wanted to announce after the agreement is signed. The JV is neither a subsidiary nor an associated company of the Group and the Company confirms as at the current date, there are no other JVs set up which has yet to be announced.

### SGX-ST’s query 3

The technology used in the provision of rural wastewater facilities is our own proprietary technology from Shanghai Onway Environmental Co., Ltd. In return, the JV is expected to enjoy a mutually agreed rate of return on the capital invested and will be granted a 30 years concession for operating and maintenance (“O&M”) by Wujiang District, Housing and Urban Construction Bureau.

#### SGX-ST’s query 3.1

What is the value of usage of the technology in the provision of rural wastewater facilities, which is the proprietary technology from Shanghai Onway Environmental Co., Ltd?

**Company's Response**

Shanghai Onway Environmental Co., Ltd (“**Shanghai Onway**”) will be providing EPC model expertise and technology to the JV company and is expected to make a profit from the contract value for the EPC project. The contract value to be entered into between Shanghai Onway and the JV is yet to be determined as the contract has not been signed yet.

**SGX-ST's query 3.2**

Will the “mutually agreed rate of return” be proportionate to the capital invested by each JV partner?

**Company's Response**

Yes, the mutually agreed rate of return is proportionate to the capital invested by each JV partner.

**SGX-ST's query 3.3**

Given Shanghai Onway Environmental Co., Ltd is only a 55% JV partner in Shaoguan Angrui Environmental Technology Development Co., how do we compare the contribution of the technology owned by Shanghai Onway Environmental Co., Ltd. vis-à-vis the 30-year concession received?

**Company's Response**

The returns attributable to Shanghai Onway for the Project consist of two portions:-

- i) Shanghai Onway will be providing EPC model expertise and technology to the JV company and is expected to make a profit from the contract value for the EPC project. The contract value to be entered into between Shanghai Onway and the JV is yet to be determined as the contract has not been signed yet.
  
- ii) Shanghai Onway will also enjoy return on the capital (i.e mutually agreed rate of return) invested in the JV based on the 30 years concession for operating and maintenance by Wujiang District, Housing and Urban Construction Bureau (i.e. based on its 55% shareholding in the JV company.)

Therefore, Shanghai Onway expect to enjoy short term profit from providing its expertise to the JV company and long term profit from the capital invested in the JV company. The rest of the JV partners only enjoy the long term profit from the capital invested in the JV company in proportion to their capital invested.

BY ORDER OF THE BOARD

Ng Kim Keang  
Executive Director  
23 August 2018

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*\*These are transliteration of the Chinese names of the entities. They may not be the legal names of the entities.*

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the “**Sponsor**”) for compliance with the relevant rules of*

*the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this announcement.*

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