

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

ACQUISITION OF 85% OF THE SHARES OF LINXING WATER SUPPLY CO., LTD (长兴县林城镇林兴自来水有限公司) BY CHANGXING LINSHENG WASTEWATER TREATMENT CO., LTD (长兴林盛水质净化有限公司) *

1. THE ACQUISITION

1.1 Introduction

The board of directors of AnnAik Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that Changxing Linsheng Wastewater Treatment Co., Ltd (长兴林盛水质净化有限公司) ("**Linsheng**"), together with Zhang Jianwen (张建文) (collectively, the "**Purchasers**") have entered into an equity transfer agreement (the "**Agreement**") with Ding Ronglin (丁荣林), Ding Hao (丁浩) (collectively, the "**Vendors**") and the Changxing Lincheng Government (长兴县林城镇人民政府) as witness to the Agreement, to acquire 100% of the shares (the "**Shares**") in LinXing Water Supply Co., Ltd (林城镇林兴自来水有限公司) (the "**Target Company**"), on 3rd April 2017.

Linsheng is a limited liability company incorporated in the People's Republic of China (the "**PRC**"), and is a subsidiary of Anxon Eco Holdings Pte. Ltd., a wholly-owned subsidiary of the Company. Linsheng will acquire 85% of the registered share capital of the Target Company, and Zhang Jianwen will acquire 15% of the registered share capital of the Target Company (the "**Acquisition**").

1.2 Information on the Target Company

The Target Company (Company Registration No.: 330522000021015) was incorporated on 15 August 2000 in the PRC, with a registered share capital of RMB 600,000. Its principal activities include central water supply and pipeline installation and maintenance.

1.3 Principal terms of the Acquisition

1.3.1 Consideration

The aggregate value of the consideration from Purchasers for the Acquisition is RMB 11,000,000 (the "**Consideration**") and the funds required to satisfy the consideration payable by Linsheng amounting to RMB 9,350,000 under the Acquisition will be financed through internal funds and bank borrowings. The Consideration was determined based on an asset valuation report prepared by the HuZhou Jinling Certified Public Accountants (湖州金陵会计师事务所) (the "**Valuation Report**") and was calculated as follows:-

- (a) the price for the transfer of Shares was determined to be RMB 2,699,576, being the sum of the NAV of the Shares amounting to RMB 1,336,640 and the amount of goodwill arising from the Acquisition for the Company is RMB 1,158,496 which is 85% of RMB 1,362,936; and
- (b) the Vendors' shareholder loans to the Target Company in the sum of RMB 8,300,424.

The Valuation Report dated 31 January 2017 was based on a replacement cost method.

1.3.2 Terms of Payment

The Consideration will be paid in four tranches as follows:-

- (a) The first tranche of RMB 4,400,000, being 40% of the Consideration, will be paid within 14 days of the date of signing of the Agreement.
- (b) The second tranche of RMB 4,400,000, being 40% of the Consideration, will be paid within 14 days of the date of the fulfilment of the following conditions:-
 - (i) the registration of the change of the legal representative of the Target Company;
 - (ii) the registration of the change of the industrial and commercial particulars in relation to the shareholding structure of the Target Company to obtain a new operation licence; and
 - (iv) the change of particulars in relation to the tax registration of the Company.
- (c) The third tranche of RMB 1,100,000, being 10% of the Consideration, will be paid 3 months after date of the fulfilment of the conditions as set out in 1.3.2(b) above.
- (d) The fourth tranche of RMB 1,100,000, being 10% of the Consideration, will be paid 1 year after date of the fulfilment of the conditions as set out in 1.3.2(b) above.

The Consideration shall be paid in proportion to the shareholding of the Purchasers post-completion of the Acquisition:-

- (a) Linsheng shall pay to the Vendors RMB 9,350,000, being 85% of the Consideration; and
- (b) Zhang Jianwen shall pay to the Vendors RMB 1,650,000, being 15% of the Consideration.

1.3.3 Vendor's Obligations under the Agreement

The Vendors shall ensure the fulfilment of the following obligations within 3 days of the execution of the Agreement:-

- (a) the Vendors shall procure the transfer of the management rights of the Target Company to Linsheng;
- (b) the Vendors shall furnish to Linsheng the company seal of the Target Company, the Target Company's financial books and records, the certificates, and other information and documents relating to the business of the Target Company as set out in the Agreement;
- (c) the Vendors shall use their best endeavours to assist in the drafting and signing of the relevant documents required for the transfer of the Shares pursuant to the Acquisition in accordance with the Target Company's constitution, all applicable laws and the relevant procedures for the registration of such transfers;

- (d) the Vendors shall procure that the relevant documents and assets as set out in the Agreement are transferred to Linsheng;
- (e) the Vendors shall procure that all confidential information relating to the business of the Target Company (including production processes and related technologies, and customer information) are transferred to Linsheng; and
- (f) the execution of any other documents necessary to effect transfer of Shares pursuant to the Acquisition.

1.3.4 Payment of Shareholder Loans

Pursuant to the Agreement, the Purchasers, the Vendors and the Target Company, *inter alios*, have also entered into an agreement dated 3 April 2017 to transfer certain shareholders' loans to the Purchasers (the "**Transfer of Loan Agreement**"), under which the Purchasers shall, in their proportion of shareholding, make payment to the Vendors in respect of certain existing shareholders loans owed to the Vendors and an associate by the Target Company in the sum of RMB 8,300,424.

2. **RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES**

For the purpose of Chapter 10 of the Catalist Rules, the relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2016 ("**FY2016**") are as follows:-

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired, compared with the Group's net profits ⁽²⁾ .	-5.28% ⁽³⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	10.25% ⁽⁴⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽¹⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable ⁽¹⁾

Notes:

- (1) This basis is not applicable to the Acquisition.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit before income tax, minority interests and extraordinary items.

- (3) The net profits attributable to the Shares acquired by Linsheng based on the Valuation Report is RMB 976,277 or S\$200,045, being 85% of the net profits attributable to the total number of Shares acquired by the Purchasers under the Acquisition (RMB 1,148,562), and the Group's net loss is SGD 3,792,000.
- (4) The relative figure is calculated using the total cash consideration of RMB 9,350,000 or S\$1,915,866 given by the Purchaser, being 85% of the Consideration, against the market capitalisation, which is calculated based on the volume weighted average price of S\$0.075 on 31 March 2017, being the last market day on which the shares of the Company were traded, preceding the date of this Announcement.

As the relative computation under Rule 1006(c) exceeds 5%, the Acquisition is a discloseable transaction under Part VI of Chapter 10 of the Catalist Rules.

3. RATIONALE FOR THE ACQUISITION

The Target Company is in the business of the supply of new water to residents in Lincheng town, Zhejiang Province which is also the location of Linsheng's core business, being the treatment of industrial and municipal wastewater.

Linsheng has been in the business of the treatment of industrial and municipal wastewater in Lincheng town for more than 5 years; and its related companies under the Company has a total of 6 industrial wastewater treatment plants in Changxing town, Lijiaxiang town, Huzhou town, Wushan town and Lincheng town in the Zhejiang Province with an aggregate treatment capacity of 125,000 cubic metres per day. Another new plant with a capacity of 10,000 cubic metres per day is currently under construction and is targeted to be completed by the end of September 2017. This will increase the Company's aggregate treatment capacity to 135,000 cubic metres per day by the end of 2017.

Pursuant to the Acquisition, the Group will be able to expand its business in China to include the new water supply business, thus further broadening the scope of its environmental business from the existing treatment of industrial and municipal wastewater business under Build-Operate-Transfer model and treatment of rural wastewater business under Engineering, Procurement and Construction or Public-Private-Partnership model to the inclusion of the new water supply business.

4. FURTHER INFORMATION RELATING TO THE ACQUISITION

4.1 Financial Effects

The financial effects of the Acquisition on the Company as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Company after the Acquisition. The financial effects of the Acquisition set out below have been prepared based on the Company's unaudited consolidated financial statements for FY2016.

4.1.1 Earnings per Share ("EPS")

The effects of the Acquisition on the EPS of the Company for FY2016, assuming that the Acquisition had been effected at the beginning of FY2016, are summarised below:

EPS	Before the Acquisition	After the Acquisition
Earnings ⁽¹⁾ (S\$'000)	(4,568)	(4,418)
Weighted average number of issued shares ('000)	248,973	248,973
EPS - Basic and Diluted (Singapore cents)	(1.83)	(1.77)

Notes:

(1) Represents net profit attributable to the shareholders of the Company.

4.1.2 NTA

The effects of the Acquisition on the NTA per share of the Company for FY2016, assuming that the Acquisition had been effected as at 31 December 2016, are summarised below:

NTA	Before the Acquisition	After the Acquisition
Consolidated NTA ⁽¹⁾ (S\$'000)	50,557	48,791
Number of issued shares ('000)	248,973	248,973
Consolidated NTA per share (Singapore cents)	20.31	19.60

Notes:

(1) Represents consolidated NTA attributable to the shareholders of the Company.

4.2 **Interests of Directors and Controlling Shareholders**

None of the directors of the Company and to the best of the directors' knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Acquisition other than through their respective interests (if any) in the Company.

4.3 **Directors' Service Contracts**

No person has been proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

5. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's registered office at 52, Tuas Avenue 9, Singapore 639193 for a period of three (3) months commencing from the date of this Announcement:

(a) the Agreement;

- (b) the Transfer of Loan Agreement; and
- (c) the Valuation Report.

6. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in Shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

7. RESPONSIBILITY STATEMENT BY THE DIRECTORS

The Directors of the Company (who may each have delegated detailed supervision of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that, as at the date hereof, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Acquisition and the Group. 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 this Announcement in its proper form and context.

By Order of the Board

Ng Kim Keang

Director

3 April 2017

** 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 (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by SGX-ST. The Sponsor and the SGX-ST assume 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.

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