

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

**SHARE SUBSCRIPTION IN RESPECT OF SHANGHAI ONWAY ENVIROMENTAL
DEVELOPMENT CO., LTD.***
(上海昂未环保发展有限公司)

The board of directors of AnnAik Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Shanghai Onway Environmental Development Co., Ltd. (上海昂未环保发展有限公司) ("**Onway**"), together with Anxon Envirotech Pte Ltd ("**Anxon**"), a wholly-owned subsidiary of the Company, has entered into a subscription agreement (the "**Subscription Agreement**") with Shanghai Xingyu Environmental Science and Technology Co., Ltd.* (上海兴禹环境科技有限公司) ("**Xingyu**") and a strategic investor; Feishang Industrial Group Co., Ltd (飞尚实业集团有限公司) (the "**Investor**") to allot and issue to the Investor new ordinary shares in Onway (the "**New Shares**") at an aggregate subscription price of RMB 124,897,959 (the "**Subscription Price**") in cash representing a 51% of the shareholding in the enlarged share capital of Onway (the "**Investment**"), on 31 March 2017.

Onway is an equity joint venture enterprise incorporated by Anxon and Xingyu, in which Anxon currently holds 51% of the shareholding interest. The principal activity of Onway is the treatment of rural wastewater business in China.

The Investor is an investment holding company incorporated in China, with its headquarters located in Shenzhen. The Investor's principal activity is industrial business, and it has operations in China, Africa and South America which involve the processing of non-ferrous metals and materials, coal energy, steel, transportation, logistics, forestry, high-end healthcare. The Investor owns many companies in China including 4 listed companies in China and outside China.

The Objectives of the Investment

As set out in the Subscription Agreement, the objectives of the Investment are as follows:-

- (a) The Investment will enable Onway to tap on, *inter alia*, the marketing network, human resources and capital resources of the Investor to achieve growth, and to enhance and develop its market presence in the environmental protection industry in China.
- (b) If Onway meets the relevant admission requirements for listing, the management of Onway shall make arrangements for a potential listing of Onway, with the assistance of the Investor, on The Stock Exchange of Hong Kong within 1 to 2 years from the date of the Investment, or on a stock exchange in China within 3 to 4 years from the date of the Investment.

The Investment

The aggregate subscription price for the New Shares was arrived at following arms' length negotiations on a willing buyer, willing seller basis. Pursuant to the Investment, RMB 10,408,163 shall be contributed to the registered capital of Onway, and the remaining sum of RMB 114,489,796 shall be deposited into Onway's capital reserve as a premium to be paid by the Investor for the allotment of New Shares which will amount to a 51% shareholding in the enlarged share capital of Onway.

As at the date of this announcement, Onway has a registered capital of RMB 20,000,000 and its paid-up capital is RMB 10,000,000. The shareholding percentage as at the date of this announcement is as follows:-

Table 1:

| Shareholder | Amount of registered capital subscribed for by the shareholder | Shareholding Percentage (%) |
|-------------|--|-----------------------------|
| Anxon | 10,200,000 | 51 |
| Xingyu | 9,800,000 | 49 |
| Total | 20,000,000 | 100 |

Within 3 months from the date of the Subscription Agreement, Onway will undergo a capital reduction exercise to reduce its registered capital from RMB 20,000,000 to RMB 10,000,000, while maintaining the same proportionate shareholding of Anxon and Xingyu in Onway.

Upon the completion of the Investment, the registered capital of Onway will be increased from RMB 10,000,000 to RMB 20,408,163. Accordingly, the shareholding percentage upon completion of the Investment shall be as follows:-

Table 2:

| Shareholder | Amount of registered capital subscribed for by the shareholder | Shareholding Percentage (%) |
|-------------|--|-----------------------------|
| Anxon | 5,100,000 | 25 |
| Xingyu | 4,900,000 | 24 |
| Investor | 10,408,163 | 51 |
| Total | 20,408,163 | 100 |

Consequently, Onway will cease to be a joint venture of the Company and will become an associate company of the Company.

Schedule of Payment

The Subscription Price shall be paid in the following manner:-

- (a) 20% of the Subscription Price amounting to RMB 24,979,592 shall be paid within 14 days from the date of the Subscription Agreement;
- (b) 40% of the Subscription Price amounting to RMB 49,959,183.50 shall be paid within 14 days after Onway's shareholding has been updated with the local registration authority in accordance with the figures as set out in Table 2 above; and
- (c) The final 40% of the Subscription Price amounting to RMB 49,959,183.50 shall be paid within 6 months after Onway's has been updated with the local registration authority in accordance with the figures as set out in Table 2 above.

Profit Guarantee Provided by Anxon and Xinyu

Under the Subscription Agreement, the existing shareholders of Onway, being Anxon and Xinyu, have provided a profit guarantee to the Investor that the aggregate net profit after tax of Onway will be RMB 60,000,000 for the financial years of 2016, 2017 and 2018 (the "**Profit Guarantee**").

In the event there is a shortfall of the Profit Guarantee, the shareholding of Anxon and Xinyu will be diluted and the shareholding of Investor will correspondingly be increased. Such dilution and increase in shareholding shall be calculated in accordance with the formulas as set out in the Subscription Agreement.

However, in the event the aggregate net profit after tax of Onway exceeds the Profit Guarantee, the Investor will make payable to the management of Anxon and Xinyu a sum of 50% of the additional net profit after tax up to a maximum sum of RMB 20,000,000 as incentive.

Financial Impact

The proceeds of RMB 124,890,959 from the Investment will be used by Onway for the expansion of new businesses in rural wastewater treatment (including but not limited to public-private partnership ("PPP") projects and new engineering, procurement and construction ("EPC") projects) and other related businesses.

The issue of the New Shares will result in dilution of the shareholding of Anxon, a wholly owned subsidiary of the Company, in Onway from 51% to 25% and consequently, a gain on dilution of investment in joint venture of approximately RMB 21.80 million, equivalent of S\$ 4.47 million will be recognised in the financial year ending 31 December 2017. As a result of the gain on dilution of investment in joint venture pursuant to the Investment, the consolidated net assets per share and loss earnings per share of the Company will be increased from 21.73 Singapore cents to 23.53 Singapore cents and (1.83) Singapore cents to (0.04) Singapore cents respectively based on the unaudited financial statement for year ended 31 December 2016.

The Company shall make further announcement(s) on the Investment upon the completion of the above transactions.

Directors' and Substantial Shareholders' Interest

None of the directors, and as far as the Company is aware, none of the substantial shareholders of the Company has any interest, direct or indirect, in the transactions described in this announcement, other than their shareholdings (if any) in the Company.

Shareholders and potential investors should exercise caution when trading in the shares of the Company, and where in doubt as to the action they should take, they should consult their financial, tax or other professional adviser immediately.

By Order of the Board

Ng Kim Keang

Director

1 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 and the SGXST 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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