

ANNAIK LIMITED
(Company Registration: 197702066M)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF PIONEER ENVIRONMENTAL TECHNOLOGY PTE. LTD. AND PROVISION OF FINANCIAL ASSISTANCE

I. INTRODUCTION

The Board of Directors (the “**Board**”) of AnnAik Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that on 13 December 2023, the Company has entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Mr. Yang Guoying (the “**Purchaser**”) in relation to the disposal of all the Company’s shares in Pioneer Environmental Technology Pte. Ltd., a 51% owned subsidiary of the Company (the “**Target Company**”) (the “**Proposed Disposal**”), subject to the fulfilment of the conditions precedent therein. Pursuant to the Sale and Purchase Agreement, the Company will continue to guarantee and provide security for certain debts and obligations of the Target Company (the “**Financial Assistance**”, and together with the Proposed Disposal, the “**Proposed Transaction**”).

2. PROPOSED TRANSACTION

(a) Information on Target Company

The Target Company has, as at the date hereof, an issued and paid-up capital comprising 300,000 ordinary shares of S\$1.00 each, of which the Company is the legal and beneficial owner of 153,000 shares (the “**Sale Shares**”). The remaining 147,000 shares in the Target Company are currently held by the Purchaser.

The Target Company, as at the date hereof, holds:-

- (i) 90% equity interest in the issued and paid-up capital of Suzhou Pioneer Environmental Technology Pte Ltd (“**Suzhou Pioneer**”), which in turns hold 30% equity interest in the issued and paid-up capital of Wuhan Pioneer Environmental Technology Co., Ltd. (“**Wuhan Pioneer**”). The Target Company, Suzhou Pioneer and Wuhan Pioneer are principally engaged in environmental engineering services, developing environmental technologies and environmental engineering project business;
- (ii) 40% equity interest in the issued and paid-up capital of MS Pioneer Technology Sdn Bhd (“**MS Pioneer**”). MS Pioneer was incorporated on 3 July 2023 and is principally engaged in the business of production, business development, marketing, and recovery of lithium batteries in Malaysia; and
- (iii) 99.98% equity interest in the issued and paid-up capital of Pionlontek Linergy (India) Private Limited (“**Pionlontek**”). Pionlontek was incorporated on 27 April 2023 and is principally engaged in the environmental engineering services and new energy related businesses

(the Target Company, Suzhou Pioneer, Wuhan Pioneer, MS Pioneer and Pionlontek collectively, the “**Pioneer Group**”).

Based on the latest management accounts of Pioneer Group as at 30 September 2023, the net asset value attributable to the Group’s effective equity interest in the shares of Pioneer Group is S\$219,709.38.

(b) Information on the Purchaser

The Purchaser is the founder and director of the Target Company.

As at the date of this announcement, the Purchaser holds 36,000 shares (approximately 0.01% of the issued share capital excluding treasury shares) in the Company and a minority interest in the following subsidiaries of the Company:

- (i) AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd
- (ii) Shuanglin (Huzhou) Wastewater Treatment Co., Ltd (“**Shuanglin**”)
- (iii) ChangXing Linsheng Wastewater Treatment Co., Ltd
- (iv) ChangXing AngWei Environmental & Ecological Engineering Co., Ltd

The Purchaser is also a director of Shuanglin.

Save as disclosed, the Purchaser does not have any existing interest (whether direct or indirect) in the shares of the Company, and is not related to any of the Directors, substantial shareholders of the Company, or their respective associates.

(c) Rationale for the Proposed Disposal and Provision of Financial Assistance

- (i) The Proposed Disposal is part of the Group’s on-going efforts to rationalise its businesses. After careful assessment of the strategic risks and rewards of the Company, the Board is of the view that it is in the interest of the Group to undertake the Proposed Disposal given the continuing risk exposure in participating in engineering, procurement and construction (“**EPC**”) projects in Singapore.
- (ii) As part of the terms of the Proposed Disposal, the Purchaser shall also procure that an amount equivalent to the outstanding amount of loan owing by the Target Company to the Company and any interest thereon incurred to the date of full payment of such sum be repaid (“**Shareholder’s Loan**”). Prior to the execution of the Sale and Purchase Agreement, all of the Shareholder’s Loan has been fully repaid and discharged by the Company. The Company intends to deploy the proceeds from the Purchaser’s repayment of Shareholder’s Loan for general working capital purposes.
- (iii) The Financial Assistance rendered by the Company to the Target Company is required to facilitate execution of the Proposed Disposal. In particular, as a condition to the continued provision of the banker’s guarantee by the Company for the benefit of the Target Company after Completion (as defined in paragraph 3(c) below), the Bank (as defined in paragraph 4 below) requires, amongst other things, that the Company continues to provide the corporate guarantee to the Bank.
- (iv) Notwithstanding that the Company continues to provide Financial Assistance to the Target Company after the Proposed Disposal, the Company’s exposure from the Financial Assistance shall be mitigated with the securities pledged by the Purchaser to the Company as part of the Proposed Disposal.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

(a) Sale Price

Pursuant to the Sale and Purchase Agreement, the Purchaser shall purchase from the Company the Sale Shares for a consideration of S\$219,709.38 (the “**Sale Price**”).

The Sale Price was determined based on an arm’s length, willing-seller-willing-buyer basis, after taking into account amongst others, the net asset value of Pioneer Group as at 30 September 2023.

No independent valuation was commissioned for the Proposed Disposal. The Sale Price is equivalent to the net asset value of the Group’s effective equity interest in the shares of Pioneer Group as at 30 September 2023. Accordingly, there is no expected gain or loss of the Sale Price over the net asset value as at 30 September 2023. The Company intends to utilise the proceeds from the disposal for working capital purposes.

(b) Conditions Precedent to completion of the Proposed Disposal

Completion of the Proposed Disposal is subject to and conditional upon, *inter alia*, the following (“**Conditions**”):-

- (i) Receipt of duly executed following securities in form and substance satisfactory to the Company together with all other documentation, and/or evidence of all other steps, as may be required by the Company in connection with the entry into and performance of the transactions contemplated by the following securities (including all registration requirements in accordance with all laws) or for the validity and enforceability of any securities in favour of the Company:
 - (A) an all-monies personal guarantee granted by the Purchaser;
 - (B) an all-monies mortgage over 37 Choa Chu Kang Loop #01-02 Singapore 689675 (the “**CCK Mortgage**”);
 - (C) an all-monies mortgage over 102 Haig Road #18-05 Singapore 438798 (the “**Haig Road Mortgage**”); and
 - (D) charges over the shares of AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd, Shuanglin, ChangXing Linsheng Wastewater Treatment Co., Ltd and ChangXing AngWei Environmental & Ecological Engineering Co., Ltd.(the “**Annaik Securities**”);
- (ii) evidence that the CCK Mortgage and Haig Road Mortgage have been registered with the Singapore Land Authority;
- (iii) evidence that the charge over the shares of AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd have been registered with the Shanghai Bureau of Market Supervision and Administration Authority in accordance with the laws of the People's Republic of China;
- (iv) a satisfactory report on title in respect of 37 Choa Chu Kang Loop #01-02 Singapore 689675 issued by the Company's legal adviser;
- (v) a satisfactory report on title in respect of 102 Haig Road #18-05 Singapore 438798 issued by Company's legal adviser;
- (vi) the Purchaser's repayment of the Shareholder's Loan to the Company on or before Completion.

Prior to the execution of the Sale and Purchase Agreement, all of the Shareholder's Loan has been fully repaid and discharged by the Company.

(c) Completion

Completion of the Proposed Disposal is the later of (i) 2 January 2024 or (ii) two (2) weeks after all the conditions precedent in the Sale and Purchase Agreement have been met or waived by the Company, or such other date as the Company and the Purchaser may agree (“**Completion**”).

On Completion, the Company shall deliver to the Purchaser the following:-

- (i) share certificate(s) and instruments of share transfer in respect of the Sale Shares;
- (ii) letters of resignations signed by Benjamin Ow Eei Meng, Ow Chin Seng and Ng Kim Keang as the directors and Ng Kim Keang as company secretary of the Target Company;

- (iii) the letters of resignation signed by Benjamin Ow Eei Meng, Ow Chin Seng and Ng Kim Keang to resign as directors of Suzhou Pioneer and Wuhan Pioneer;
- (iv) a resolution of the board of directors of the Target Company in relation to the transfer of the Sale Shares to the Purchaser; and
- (v) letters of resignations signed by Ng Kim Keang as a director of Pionlontek and MS Pioneer.

On Completion, the Purchaser will deliver to the Company the following:-

- (i) the Sale Price in cash; and
- (ii) a letter of resignation signed by the Purchaser as director of Shuanglin.

(d) Termination

The Sale and Purchase Agreement may be terminated by a party in its absolute discretion by giving written notice to the other party upon the occurrence of any of the following:-

- (i) any of the warranties given by a party being untrue, inaccurate or misleading on the date of the Sale and Purchase Agreement or on the date of Completion by reference to the facts or circumstances then existing;
- (ii) either party having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Sale and Purchase Agreement or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;
- (iii) any laws having been enacted or proposed which will prohibit, materially restrict or materially delay the implementation of the transactions contemplated in the Sale and Purchase Agreement.

4. INFORMATION ON THE FINANCIAL ASSISTANCE

(a) Principal terms of Financial Assistance

As the holding company of the Target Company, the Company had provided the Securities (as defined below) to the Target Company in order to secure EPC projects in Singapore and bank facilities granted to the Target Company. The Securities shall be discharged upon completion of the respective project contracts and when the bank facilities have been repaid.

Pursuant to the terms of the Sale and Purchase Agreement, the Company will continue to provide the following securities (the "**Securities**") as security for the outstanding debt and obligations of the Target Company, notwithstanding the Completion and that the Company is disposing all of its interest in the Target Company:-

- (i) the deed of parent company guarantee dated 22 November 2021 (the "**Parent Corporate Guarantee**") provided by the Company in favour of the project customer A pursuant to a contract between the project customer A and the Target Company dated 9 November 2021 where the Target Company agreed to undertake the design, construction and completion of the integrated waste management facility (the "**Project Contract**");
- (ii) the corporate guarantee dated 10 January 2022 (the "**Bank Corporate Guarantee**") provided by the Company in favour of a bank (the "**Bank**") pursuant to a letter of offer issued by the Bank to the Target Company dated 29 December 2021 and subsequently revised on 18 November 2022; and

- (iii) the letter of financial support from the Company dated 2 December 2022 (the "**Financial Support Letter**") provided by the Company in favour of another project customer, B pursuant to a contract between project customer B and the Target Company dated 6 July 2023 where the Target Company agreed to design, fabricate, supply, install, test and commission a wastewater treatment system.

The provision of the Securities is subject to:-

- (i) the Purchaser's payment of a yearly fee of S\$90,000 which is equivalent to 2.5% of the Company's exposure under the Securities or such other amount as may be stipulated by the Company (the "**Annual Fee**") to the Company until all the Securities are discharged and released. The Annual Fee shall not constitute the Sale Price and shall be due and payable on each anniversary of Completion; and
- (ii) the Annaik Securities (as elaborated in paragraph 3(b)(i) above) being provided in favour of the Company until all the Securities are discharged and released.

(b) Parent Corporate Guarantee

The Parent Corporate Guarantee was provided by the Company to guarantee the due, proper, punctual, true and faithful performance of and observance by the Target Company of all the obligations and covenants on the part of the Target Company under the Project Contract (the "**Obligations**").

Notwithstanding that the Company will no longer be a shareholder of the Target Company, the project customer A requires the Parent Company Guarantee to be provided by the Company.

The Parent Company Guarantee may not be revoked, terminated or discharged until such time as all the Obligations have been discharged, performed or satisfied in full, and no sum remains payable (whether actually or contingently) by the Company and/or the Target Company to project customer A under or in connection with the Parent Corporate Guarantee, the Project Contract and/or any other agreement or arrangement between a project customer and the Target Company which relates to the Obligations. Hence, the Parent Company Guarantee will be released when the Target Company completes the Obligations under the Project Contract.

Nevertheless, Clause 3 of the Parent Corporate Guarantee states that the Company's obligation to a project customer in connection with the Parent Corporate Guarantee shall, notwithstanding any other provision in the Parent Corporate Guarantee, never exceed that of the Target Company's obligations to a project customer under the Project Contract.

As at the date of the Sale and Purchase Agreement, the outstanding obligations to be performed under the project contract amount to approximately S\$4.45 million, of which the Bank has provided banker's guarantees of approximately S\$1.79 million. The Company has provided a Bank Corporate Guarantee as security for the Bank's provision of the banker's guarantees as elaborated below.

(c) Bank Corporate Guarantee

The Bank Corporate Guarantee was provided by the Company to secure a bank facility of S\$2.99 million to the Target Company, and the Bank Corporate Guarantee secures all monies payable by the Target Company to the Bank. Notwithstanding that the Company will no longer be a shareholder of the Target Company, the Bank requires the Bank Corporate Guarantee to be provided by the Company. The Bank Corporate Guarantee shall only be discharged when all the monies secured by the Bank Corporate Guarantee have been fully paid.

As at the date of the Sale and Purchase Agreement, the outstanding amount drawn down under the bank facilities is equivalent to the advance payment bond and performance bond issued by Bank to the project customer A (as elaborated in paragraph 4(b) above) which is approximately S\$1.79 million. As mutually agreed with the Bank, the remaining undrawn bank facilities of S\$1.20 million shall be cancelled on Completion. The Target Company will not draw down on the remaining bank facilities prior to Completion.

Under the Bank Corporate Guarantee, the Company undertakes to indemnify the Bank in full and keep the Bank indemnified against all losses, damages, liabilities, costs, legal and other expenses whatsoever which the Bank may sustain or incur as a result of or arising from the Bank's advances, loans, credit, facilities, accommodation, assistance or services to the Target Company.

(d) Financial Support Letter

The Financial Support Letter was provided by the Company to confirm to another project customer B that the Company will provide financial support to the Target Company for the project with another project customer B during the execution stage of this project.

As at the date of the Sale and Purchase Agreement, the outstanding obligations to be performed under the project contract estimated to be approximately S\$245,000.

5. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The following are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Group after Completion. The financial effects of the Proposed Transaction as set out below are based on the Group's latest announced audited financial statements for the financial year ended 31 December 2022 ("FY2022"), and are subject to the following assumptions:

- (i) the financial effects on the Group's earnings attributable to the Shareholders and the earnings per Share ("EPS") have been computed assuming that Completion of the Proposed Disposal took place and provision of Financial Assistance had been provided on 1 January 2022;
- (ii) the financial effects on the Group's net tangible assets ("NTA") attributable to the Shareholders and the NTA per Share have been computed assuming that Completion of the Proposed Disposal took place and provision of Financial Assistance had been provided on 31 December 2022; and
- (iii) the expenses incurred or to be incurred for the Proposed Transaction have been disregarded for the purpose of computing the financial effects.

(a) EPS

	Before the Proposed Transaction	After the Proposed Transaction
Earnings attributable to shareholders (S\$'000)	5,526	5,472 ⁽¹⁾
Basic weighted average number of issued shares ('000)	287,876	287,876
EPS - Basic (cents)	1.92	1.90

(1) The earnings attributable to shareholders is computed based on the sum of (i) the Group's profit of S\$5.53 million attributable to equity holders of the Company for FY2022; and (ii) less profit after tax of Target Company of S\$54,000 for FY2022.

(b) **NTA per Share**

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000)	62,995	63,022 ⁽¹⁾
Number of issued shares ('000)	288,520	288,520
NTA per share (cents)	21.83	21.84

(1) NTA is computed based on the sum of (i) the Group's NTA of S\$63.00 million (which includes a service concession of S\$36.18 million to construct and operate wastewater treatment plants); and (ii) Sale Price (rounded) of S\$219,000 less net assets of Target Company of S\$192,000 as at 31 December 2022.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures computed on the relevant bases set out in Rule 1006 of Section B: Rules of Catalist of the Exchange ("the **Catalist Rules**") in respect of the Proposed Disposal are as follows:

Proposed Disposal

Rule	Bases	Relative Figures (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	0.18% ⁽¹⁾
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	(1.91)% ⁽²⁾
1006(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	23.99% ⁽³⁾
1006(d)	The number of equity shares issued by the Company as consideration for an acquisition, compared with the number of equity shares previously in issue	Not Applicable ⁽⁴⁾
1006(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.	Not Applicable ⁽⁵⁾

Notes:

- (1) The net asset value attributable to the Group's effective equity interest in the shares of Pioneer Group and net asset value attributable to shareholders of the Group as at 30 June 2023 is S\$116,000 and S\$63,374,000 respectively.
- (2) The loss before tax attributable to the Group's effective equity interest in the shares of Pioneer Group of S\$56,000 and the Group's profit before tax of S\$2,925,000 for the financial period ended 30 June 2023.
- (3) Based on the sum of (i) Sale Price (rounded) of S\$219,000, and (ii) Annaik Securities pledged by the Purchaser of S\$4,695,000 to be provided to the Company pursuant to the Sale and Purchase Agreement and the market capitalisation of the Company of approximately S\$20,484,939 which is calculated based on 288,520,274 Shares in issue and the volume weighted average price of S\$0.0710 per share as at 8 December 2023, being the last market day which the Company's shares are transacted preceding the date of the Sale and Purchase Agreement.

For avoidance of doubt, all of the Shareholder's Loan has been fully repaid before the execution of the Sale and Purchase Agreement and have been excluded from the total consideration for the Proposed Disposal.

- (4) This is not applicable as it is not an acquisition.
- (5) This basis is not applicable as the Company is not a mineral, oil and gas company.

As (i) the figures used to compute the relative figure under Rule 1006(b) of the Catalist Rules are negative figures, pursuant to paragraph 4.4(e) of Practice Note 10A of the Catalist Rule, the Company notes that the absolute relative figure computed on the basis of each of Rule 1006(a) and (c) of the Catalist Rules does not exceed 50% and the Group is not expecting a gain or loss on disposal; and (ii) the relative figures computed on the basis of each Rule 1006(a) and Rule 1006(c) of the Catalist Rules exceeds 5% but does not exceed 50%, the Proposed Disposal is considered a “discloseable transaction” as defined under Rule 1010 of the Catalist Rules.

Provision of Financial Assistance

The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the provision of the Financial Assistance are as follows:

Rule	Bases	Relative Figures (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	7.41% ⁽¹⁾
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not Applicable
1006(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	23.25% ⁽²⁾
1006(d)	The number of equity shares issued by the Company as consideration for an acquisition, compared with the number of equity shares previously in issue	Not Applicable ⁽³⁾
1006(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.	Not Applicable ⁽⁴⁾

Notes:

- (1) For the provision of financial assistance, the "net asset value of the assets to be disposed of" shall mean the aggregate value of the financial assistance. The value of the financial assistance and the net asset value attributable to shareholders of Group as at 30 June 2023 is S\$4,695,000 and S\$63,374,000 respectively.

Based on understanding between the Company and relevant parties, the value of financial assistance is assessed to be S\$4,695,000, which could be derived from (i) the potential exposure of S\$4,450,000 under the Parent Corporate Guarantee and Bank Corporate Guarantee; and (ii) the outstanding obligations under the Financial Support Letter of approximately S\$245,000.

- (2) For the provision of financial assistance, the "aggregate value of the consideration given or received" shall mean the aggregate value of the financial assistance. Based on the value of financial assistance of S\$4,695,000 and the market capitalisation of the Company of approximately S\$20,484,939 which is calculated based on 288,520,274 Shares in issue and the volume weighted average price of S\$0.0710 per share as at 8 December 2023, being the last market day which the Company's shares are transacted preceding the date of the Sale and Purchase Agreement.
- (3) This is not applicable as it is not an acquisition.

(4) This basis is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed based on Rule 1006(a) and (c) of the Catalist Rules exceeds 5% but does not exceed 50%, the provision of the Financial Assistance constitutes a “discloseable transaction” as defined under Rule 1010 of the Catalist Rules.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their respective shareholdings in the Company, none of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Transaction.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person

9. DOCUMENT FOR INSPECTION

A copy of the Sale and Purchase Agreement will be available for inspection at the Company's registered office at 52 Tuas Avenue 9, Singapore 639193, during normal business hours for a period of three (3) months from the date hereof.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Transaction and other matters contemplated in this announcement.

11. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Sale and Purchase Agreement is subject to the fulfilment of the conditions precedent for the Proposed Transaction. **There is no certainty or assurance that the conditions precedent for the Proposed Transaction can be fulfilled.** As such, shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

By Order of The Board
Ng Kim Keang
Executive Director
13 December 2023

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("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 Audrey Mok (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.