

PROPOSED ACQUISITION OF LAND IN PENANG, MALAYSIA

Unless otherwise specifically provided, the following exchange rate is used throughout this Announcement, S\$1.00:RM2.60. This exchange rate is used for illustration purpose only and should not be construed as a representation that the relevant amounts have been or could be converted at the rate or at all.

1. INTRODUCTION

The Board of Directors of AnnAik Limited (“**our Company**”, together with our subsidiaries, “**our Group**”) (“**our Directors**”) has announced on 5 September 2013 that our Group had identified a potential location for the commencement of our steel flanges manufacturing business in Malaysia. We now wish to announce that the location comprises 3 pieces of land known as Lots 458, 459 and 460, all of Mukim 12, Tempat Kpg. Gurun, Daerah Seberang Perai Selatan, Negeri Pulau Pinang, Malaysia and held under Geran Mukim No. G.M.208, 209 and 210, respectively (“**Lot 458**”, “**Lot 459**” and “**Lot 460**”, respectively, and, collectively, the “**Land**”); and we intend to acquire the Land (the “**Acquisition**”).

We further wish to announce that the negotiations for the Acquisition have been completed. Upon completion of the negotiations, Shinsei Superinox Industry Sdn Bhd (“**Shinsei Malaysia**”), our subsidiary, has today entered into 3 sale and purchase agreements for the acquisitions of 870 of 1430 undivided shares in Lot 458, 560 of 1430 undivided shares in Lot 458 and Lot 459. The sale and purchase agreement for Lot 460 has yet to be executed. We will make the requisite announcement when the sale and purchase agreement is executed. (The sale and purchase agreements shall collectively be termed, the “**Agreements**”).

We intend to construct a production plant, warehousing and ancillary facilities on the Land so as to relocate our manufacturing base for steel flanges and related products (the “**Products**”) from the People’s Republic of China (“**China**”) to Malaysia and also expand our manufacturing capacity.

2. LAND ACQUISITION

2.1. Information about the Land

The Land has a freehold tenure and is zoned for industrial development, and comprises Lot 458, 459 and 460. Particulars of the Lots, the approximate area of each Lot, and the relevant vendor(s) in relation to each Agreement for the relevant Lot (each, a “**Vendor**”) are set out below.

Lot	Approximate Area (m ²)	Vendor(s)
870 out of 1430 undivided shares in Lot 458	36,159	(1) Sheema Banu Binti Abdullah (NRIC No.: 461216-07-5370/3146993) (" Sheema ") for 435 out of 1,430 undivided shares; (2) Sabrina Binti Abdul Chafur (NRIC No.: 720608-07-5314/A2265269) (" Sabrina ") for 435 out of 1,430 undivided shares; and
560 out of 1430 undivided shares in Lot 458		Goh Swee Kee (NRIC No.: 490404-08-5595/7575046) (" Goh ")
Lot 459	1,452	Lim Ah Nya (NRIC No.: 471108-07-5030)
Lot 460	7,785	The Administrator for the Estate of Abdul Ghafur Bin Mandoo (the " Deceased ")

2.2. Purchase Price

The purchase price of the Land is set out below ("**Purchase Price**"):

Lot	Purchase Price (RM '000)	Payment of Purchase Price
870 out of 1430 undivided shares in Lot 458	4,736	10% has been paid to the Vendors as deposit upon the execution of the Agreement. The balance 90% of the Purchase Price will be paid to the Vendors' solicitors within 3 months from the date of the Agreement with an automatic extension of one month subject to an interest rate of 6% per annum, calculated on a daily basis till the date of actual payment of the balance sum.
560 out of 1430 undivided shares in Lot 458	3,048	10% has been paid to the Vendors as deposit upon the execution of the Agreement. The balance 90% of the Purchase Price will be paid to the Vendors' solicitors within 3 months from the date of the Agreement with an automatic extension of one month subject to an interest rate of 6% per annum, calculated on a daily basis till the date of actual payment of the balance sum.
Lot 459	492	10% has been paid to Vendor as deposit upon the execution of the Agreement. The balance 90% of the Purchase Price will be paid to the solicitors of Shinsei Malaysia within 3 months from the date of the Agreement with an automatic extension of one month subject to an interest rate of 6% per annum, calculated on a daily basis till the date of actual payment of the balance sum.

Lot	Purchase Price (RM '000)	Payment of Purchase Price
Lot 460	2,514	<p>10% has been paid to Vendor as deposit upon the execution of the Agreement.</p> <p>The balance 90% of the Purchase Price will be paid to the Vendor's solicitors within 3 months from the date of solicitors of Shinsei Malaysia receipt of a sealed high court order sanctioning the sale and transfer the Land to Shinsei Malaysia (the "Court Sanction"), with an automatic extension of one month subject to an interest rate of 6% per annum, calculated on a daily basis till the date of actual payment of the balance sum.</p>

The Purchase Price for the Lots under each Agreement was arrived at on a willing-buyer-willing-seller basis after taking into account the current market value of the freehold unencumbered interest of the Land as at 4 September 2013 in its existing physical condition with vacant possession as set out in the desktop valuation report issued by One Asia Property Consultants (Pg) Sdn Bhd commissioned by Shinsei Malaysia dated 4 September 2013.

3. SALIENT TERMS OF LAND ACQUISITION

3.1. Conditions of sale for Lots 458 and 459

(a) *Conditions common to the Agreements for Lot 458 and 459*

The sale and purchase of Land under each of the Agreements is subject to the following conditions:

- (i) The Vendor(s) deducing good and registrable title to the Land;
- (ii) The Land being free from all encumbrances whatsoever;
- (iii) The Land being sold with full and complete vacant possession;
- (iv) Each of the representations and warranties of the Vendor(s) being true and accurate in all respects; and
- (v) Any defect in the title being rectified and perfected by the Vendor(s) at their/his own cost and expense and in the event such rectification cannot be completed within reasonable time required by Shinsei Malaysia, the completion date being extended according to the Agreement subject to the Vendor(s) being liable for any penalty for late registration of the transfer and charge and provided always that such extension of time shall not be more than 30 working days or any other period as may be agreed by the parties. Shinsei Malaysia shall be entitled to terminate the Agreement in the event that the Vendor(s) failed to complete the rectification within the extension of 30 working days or any other extended period of time as may be agreed by Shinsei Malaysia.

(b) *Sale and purchase of 870 out of 1430 undivided shares in Lot 458*

The sale and purchase of 870 out of 1430 undivided shares in Lot 458 is further subject to the following conditions:

- (i) The certified true copy of the registration receipt from the Land Office, Daerah Seberang Perai Selatan, Pulau Pinang (the “**Land Office**”) or confirmation letter from the Land Office for the depositing of the original issue document of title with the Land Office as Common Deed, being produced and delivered to the solicitors of Shinsei Malaysia;
- (ii) The Land being sold on an “as is where is” basis; and
- (iii) The Agreement being subject to and conditional upon the purchase of the entire undivided shares in Lot 458 by Shinsei Malaysia from Goh to be completed simultaneously and in the event of the sale and purchase agreement with Goh being terminated, then the Agreement also being deemed terminated.

(c) *Sale and purchase of 560 out of 1430 undivided shares in Lot 458*

The sale and purchase of 560 out of 1430 undivided shares in Lot 458 is further subject to the following conditions:

- (i) A written confirmation from the Land Office confirming that the original issue document of title has been deposited with the Land Office as Common Deed in lieu of the certified true copy of the registration receipt from the Land Office for the depositing of the original issue document of title with the Land Office, being produced and delivered to the solicitors of Shinsei Malaysia upon the execution of the Agreement; and
- (ii) The Agreement being subject to and conditional upon the purchase of the entire undivided shares in Lot 458 by Shinsei Malaysia from Sabrina and Sheema being completed simultaneously and in the event of the sale and purchase agreement with Sabrina and Sheema being terminated, then the Agreement also being deemed terminated.

3.2. Conditions of sale for Lot 460

(a) *Further background*

The registered proprietor of Lot 460 (the “**Deceased**”) died intestate and an administrator was appointed. Thereafter, the administrator was adjudicated bankrupt. An application is before the High Court of Penang, Malaysia for the change of administrator (the “**Court Order**”). The Agreement for Lot 460 can only be executed after the grant of the Court Order.

(b) *Terms and conditions*

As stated in part 1 above, the negotiations for the Agreement for Lot 460 had been concluded.

The Agreement for Lot 460 will, when executed, bear the terms as set out in Part 3.1(a) above. Further, the Agreement will further subject to the following conditions:

- (i) Sabrina producing the certified true copy of the Grant of Letter of Administration for the estate of the Deceased;
- (ii) Sabrina producing the sealed court order which has sanctioned the appointment of Sabrina as the new sole administrator of the Deceased;
- (iii) The Land being sold on an "as is where is" basis; and
- (iv) Sabrina obtaining the Court Sanction.

4. RATIONALE FOR THE ACQUISITION

As stated in our announcement on 5 September 2013, we have entered into a sale and purchase agreement to divest our shares in (comprising 32% of all the issue shares of) our subsidiary, Shinsei Company (S) Pte. Ltd. ("**Shinsei Singapore**"). Shinsei Singapore is in turn the sole shareholder and holding company of Shinsei Taizhou Steel Flanges Co., Ltd ("**STSF**"), a company established under the laws of the China (Shinsei Singapore and STSF are collectively, "**Shinsei Group**"). The Shinsei Group is in the business of manufacturing steel flanges.

We have disclosed that Shinsei Singapore is loss-making and the proposed divestment of our shares in Shinsei Singapore is part of our plans to gradually move away from the business of manufacturing and distributing steel flanges in China due to lower profit margins being derived for our Group.

5. FUNDING OF ACQUISITION

The Purchase Price payable by Shinsei Malaysia in respect of the Acquisition will be funded through a combination of internal resources and bank borrowings.

6. FINANCIAL EFFECTS

The Acquisition is a transaction carried out in the ordinary course of our business.

The Purchase Price of RM10.79 million (approximately S\$4.15 million) is equivalent to approximately 16.67% of our market capitalisation as at 10 September 2013 of S\$24.90 million, based on a share capital of 248,973,000 ordinary shares and the weighted average price of shares of S\$0.10 per share transacted on the same day.

The Acquisition is not expected to have a material impact on our earnings per share or net tangible assets per share for the current financial year ending 31 December 2013.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of our Directors or controlling shareholders has any interest, directly or indirectly, in the Acquisition, save through his shareholding in our Company (if any).

8. RESPONSIBILITY STATEMENT

Our Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

9. DOCUMENTS FOR INSPECTION

A copy of the Agreements are available for inspection during normal business hours at the registered office of our Company at 52 Tuas Avenue 9, Singapore 639193 for 3 months from the date of this Announcement.

By Order of the Board

Ng Kim Keang
Director

12 September 2013