

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

ENTRY INTO A LEGALLY BINDING TERM SHEET TO INVEST IN HOCK CHUAN HONG CORPORATION PTE. LTD.

1. Introduction

The board of directors of AnnAik Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Pioneer Environmental Technology Pte. Ltd. ("**Pioneer**"), a 51% owned subsidiary of the Company, has on 26 April 2017, together with Tan Aik Hock, Hock Chuan Hong Corporation Pte. Ltd. ("**HCH**"), Poh Seng Kah, Poh Seng Choon, and Poh Seng Chuan (collectively, the "**HCH Shareholders**"), entered into a legally binding term sheet (the "**Term Sheet**") to form a joint venture between the parties (the "**Investment**").

Consequently, HCH will become an associated company of the Group (as defined under the Catalyst Rules), as Pioneer, the 51% owned subsidiary of the Company, will own 20% of the shares HCH.

2. Information on HCH

HCH is a company incorporated in Singapore and its principal activities are, *inter alia*, the collection of waste, waste management, recycling and the manufacturing of waste value. It currently has an issued and paid-up share capital of 1,000,000 ordinary shares. The HCH Shareholders currently own the entire issued and paid-up share capital of HCH in the following proportion:-

Table 1:

Shareholder	Amount of shares in HCH owned
Poh Seng Kah	333,333
Poh Seng Choon	333,333
Poh Seng Chuan	333,334
Total	1,000,000

HCH has obtained a lease of 14 Tuas South Street 12, Singapore 636953 (the "**Property**") from the JTC Corporation. The Property is a leasehold property which has a remaining term of 18 years and 9 months as at 28 March 2017.

3. Rationale for the Investment

HCH intends to expand its business by venturing into the waste oil recycling business on the Property for sale. As Pioneer possess the technology, expertise, experience, personnel, equipment and know-how to carry out the business of waste oil recycling for sale and Tan Aik Hock will be able to supply vast quantity of waste oil for the purpose of waste oil recycling on the Property for sale, Pioneer and Tan Aik Hock have enter into a joint venture with HCH and the HCH Shareholders to invest in this new business venture.

Under the Investment, HCH will allot and issue to Pioneer and Tan Aik Hock an aggregate of 1,222,221 new ordinary shares in HCH (the "**New Shares**") at an aggregate subscription price of S\$1,222,221 in cash representing 55% of the shareholding in the enlarged share capital of HCH.

The Investment is beneficial to the Company as it is a strategic investment undertaken by the Company through Pioneer, its 51% owned subsidiary, to further expand the scope of the environmental services and products offered from existing wastewater to waste oil recycling business in Singapore and China.

4. The Consideration

4.1 Pioneer and Tan Aik Hock have agreed to invest in and subscribe for the New Shares in HCH, and HCH has agreed to issue and allot the New Shares to Pioneer and Tan Aik Hock for the aggregate consideration of S\$6,722,221 (the "**Consideration**"). The Consideration will be satisfied in the following manner:-

- (a) Pioneer shall pay a sum of S\$444,444 as consideration for the allotment and issuance of 444,444 New Shares.
- (b) Tan Aik Hock shall pay a sum of S\$777,777 as consideration for the allotment and issuance of 777,777 New Shares.
- (c) Pioneer shall provide a shareholder's loan of S\$2,000,000 which shall be applied towards the working capital of HCH. Such payment is to be made within 7 days from the date the HCH obtains the in-principal approval from the National Environment Agency to use the Property for processing of waste oil and recycled products manufacturing plant.
- (d) Tan Aik Hock shall provide a shareholder's loan of S\$3,500,000 which shall be applied towards the working capital of HCH. Such payment is to be made within 7 days from the date the HCH obtains the in-principal approval from the National Environment Agency to use the Property for processing of waste oil and recycled products manufacturing plant.

4.2 The aggregate subscription price for the New Shares was arrived at based on the existing price of the shares of HCH.

4.3 The provision of the shareholder's loans by Pioneer and Tan Aik Hock of S\$2,000,000 and S\$3,500,000 respectively, as set out in paragraphs 4.1(c) and 4.1(d) above are to be extended to HCH on the basis that after the completion of the Investment, the respective amounts of all shareholder's loans extended to HCH shall be in proportion to the respective shareholdings of all the shareholders of HCH as follows:-

- (a) Currently, there are existing shareholder's loans extended by the HCH Shareholders amounting to S\$4,214,766 based on the audited accounts of HCH for the financial year ended 31 December 2016.
- (b) Pursuant to the Investment, the HCH Shareholders will extend further loans to HCH such that the aggregate shareholder's loans extended by the HCH Shareholders will amount to S\$4,500,000.
- (c) Consequently, after the completion of the Investment, the aggregate shareholder's loans extended to HCH shall be in the amount of S\$10,000,000. Accordingly, such aggregate amount of shareholder's loans extended by the shareholders of HCH after the completion of the Investment will be extended in proportion to their respective shareholdings.

5. Financial Impact

5.1 The Consideration payable by Pioneer, being the aggregate sum of S\$2,444,444, will be funded through internal resources and bank borrowings by the Company, and is not expected to have any material impact on the consolidated net tangible assets or net

earnings per share of the Company and the Group for the current financial year ending 31 December 2017.

- 5.2 The aforementioned sum of S\$2,444,444 will be funded by an interest-free loan provided by the Company to Pioneer which shall be repaid by Pioneer within three (3) years.
- 5.3 The net liability value attributable to the New Shares of HCH is S\$121,126, calculated based on HCH's audited accounts for the financial year ended 31 December 2016.

Upon the completion of the Investment, the shareholding percentage of HCH shall be as follows:-

Table 2:

Shareholder	Amount of shares in HCH owned	Shareholding Percentage (%)
Poh Seng Kah	333,333	15
Poh Seng Choon	333,333	15
Poh Seng Chuan	333,334	15
Pioneer	444,444	20
Tan Aik Hock	777,777	35
Total	2,222,221	100

6. 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.

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

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

26 April 2017

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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