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

ACQUISITION OF 20% OF THE SHARES OF SHUANGLIN (HUZHOU) WASTEWATER TREATMENT CO., LTD * (湖州双林水质净化有限公司) BY ANXON ENVIRONMENTAL PTE LTD

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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 its wholly-owned subsidiary, Anxon Environmental Pte Ltd ("**Anxon Environmental**") has on 22 May 2019 entered into a sale and purchase agreement (the "**Agreement**") with Shanghai WanZhuan Environmental Technology Partnership Enterprise (Limited Partnership) (上海万颛环保科技合伙企业(有限合伙) (公司) (the "**Vendor**") to acquire 20% of the shares (the "**Shares**") in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd (湖州双林水质净化有限公司) (the "**Target Company**").

Anxon Environmental currently holds 42% of the registered share capital of the Target Company. On completion of the proposed acquisition (the "**Acquisition**"), Anxon Environmental will hold 62% of the registered share capital of the Target Company.

1.2 Information on the Target Company

The Target Company (Unified Social Credit Code: 913305006605864576) was incorporated on 14 May 2007 in the PRC, with a registered share capital of RMB 16,000,000. Its principal activities include the treatment of domestic and industrial wastewater in Shuanglin Town, Huzhou.

1.3 Principal terms of the Acquisition

1.3.1 Consideration

The aggregate value of the consideration for the Acquisition is RMB 8,935,295.27 (the "**Consideration**") and the funds required to satisfy the Consideration payable by Anxon Environmental under the Acquisition will be financed through internal funds and bank borrowings. The Consideration was determined based on an arms' length, willing-seller-willing-buyer basis, after taking into account various factors including the net tangible assets of the Target Company as at its 31 December 2018 audited accounts.

Based on the audited accounts of the Target Company for the financial year ended 31 December 2018, the net tangible asset value and profit before tax of the Target Company is approximately RMB 45,328,000 and RMB 6,992,000, respectively. No independent valuation was conducted on the Target Company.

1.3.2 Terms of Payment

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

(a) The first tranche of RMB 1,787,059.05, being 20% of the Consideration, to be paid within 30 business days of the date of the fulfilment of the following conditions:-

(i) the approval of the board of directors of Anxon Environmental and the Vendor being obtained for the transactions contemplated under the Acquisition;

(ii) the approval of (a) the board of directors of the Target Company being obtained for transactions contemplated under the Acquisition and (b) the shareholders of the Target Company being obtained, at a general meeting held by the Company, for the transactions contemplated under the Acquisition;

(ii) the resignation of such director(s) appointed by the Vendor to the board of directors of the Target Company; and

(iv) all governmental approvals and third party consents that are required in connection with the transactions contemplated under the Acquisition being duly obtained.

(b) The second tranche of RMB 1,787,059.05, being 20% of the Consideration, to be paid within 30 business days after completion of the Proposed Acquisition.

(c) The third tranche of RMB 2,680,588.58, being 30% of the Consideration, to be paid by 31 December 2020, together with interest charged at a rate of 9% per annum which shall accrue on such amount from the payment date of second tranche until the date of full payment.

(d) The fourth tranche of RM 2,680,588.59, being 30% of the Consideration, to be paid by 31 December 2021, together with interest charged at a rate of 10% per annum which shall accrue on such amount from the payment date of second tranche until the date of full repayment.

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 audited consolidated financial statements of the Group for the financial year ended 31 December 2018 ("**FY2018**") 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].	16.55%[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.	9.08%[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 is approximately RMB 1,398,350 or approximately S$278,180 and the Group's net profits is SGD 1,681,000.

(4) The relative figure is calculated using the total cash consideration of RMB 8,935,295.27 or S$1,777,230.23 given by Anxon Environmental, against the market capitalisation, which is calculated based on the volume weighted average price of SGD 0.08 on 16 April 2019, 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 Rules 1006 (b) and (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 Acquisition is in the ordinary course of expansion of the Company's business. Following the completion of the acquisition, Target Company will be a subsidiary of the Company and their financial statements will be consolidated into the financial statements of the Company instead of the current share of profit.

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 FY2018.

4.1.1 <u>Earnings per Share ("**EPS**")</u>

The effects of the Acquisition on the EPS of the Company for FY2018, assuming that the Acquisition had been effected at the beginning of FY2018, are summarised below:

EPS	**Before the Acquisition**	**After the Acquisition**
Earnings[(1)] (S$'000)	1,355	1,571
Weighted average number of issued shares ('000)	246,406	246,406
EPS - Basic and Diluted (cents)	0.55	0.64

Notes:

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

4.1.2 <u>Net Tangible Assets ("**NTA**")</u>

The effects of the Acquisition on the NTA per share of the Company for FY2018, assuming that the Acquisition had been effected as at 31 December 2018, are summarised below:

NTA	**Before the Acquisition**	**After the Acquisition**

Consolidated NTA[1] (S$'000)	51,514	53,317
Number of issued shares ('000)	246,406	246,406
Consolidated NTA per share (cents)	20.91	21.64

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 or their respective associates 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 SPA 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.

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 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
24 May 2019

** These are transliteration of the Chinese names of the entities. They may not be the legal names of the entities*

This announcement has been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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