

ANNAIK LIMITED

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

ANNOUNCEMENT

SALE OF SHARES IN SHINSEI COMPANY (S) PTE. LTD. AND BOTH-WELL HOLDINGS (S) PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of AnnAik Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that it has on 30 November 2014 entered into two Sale and Purchase Agreements (the "**SPAs**"), whereunder:-

- 1.1 the Company will sell its entire shareholding interest of 5,741,135 ordinary shares, representing 19% of the issued and paid-up share capital of Shinsei Company (S) Pte. Ltd. ("**Shinsei Singapore**") (the "**Shinsei Sale Shares**") to Wu Chien-Mei, Lin Ching-En, Hsu Shih-Chen and Wu Tsung Yin (collectively, the "**Shinsei Buyers**", and hereinafter referred to as the "**Shinsei SPA**"); and
- 1.2 the Company will sell its entire shareholding interest of 532,000 ordinary shares, representing 19% of the issued and paid-up share capital of Both-Well Holdings (S) Pte. Ltd. ("**Bothwell Singapore**") (the "**Bothwell Sale Shares**") to Wu Chien-Mei, Lin Ching-En and Hsu Shih-Chen (collectively, the "**Bothwell Buyers**", and hereinafter referred to as the "**Bothwell SPA**"),

(collectively, the "**Proposed Disposals**").

As aforementioned, the Company currently holds 19% in each of Shinsei Singapore and Bothwell Singapore. Upon completion of the Proposed Disposals, the Company will no longer hold any shareholding interest in either of Shinsei Singapore and Bothwell Singapore.

2. INFORMATION ON SHINSEI SINGAPORE, BOTHWELL SINGAPORE AND THE BUYERS

- 2.1 Shinsei Singapore has at the date of this announcement, an issued and paid-up share capital of S\$30,216,500 consisting of 30,216,500 ordinary shares. Shinsei Singapore is the sole shareholder and holding company of Shinsei Taizhou Steel Flanges Co., Ltd ("**STSF**"), a company established under the laws of the People's Republic of China (the Company and STSF collectively referred to as "**Shinsei Group**"). The Shinsei Group is in the business of manufacturing steel flanges.
- 2.2 Bothwell Singapore has at the date of this announcement, an issued and paid-up share capital of S\$2,800,000 consisting of 2,800,000 ordinary shares. Bothwell Singapore is the sole shareholder and holding company of Both-Well Taizhou Steel Fittings Co., Ltd ("**BWTS**"), a company established under the laws of the People's Republic of China and also owns a 50% shareholding interest in Both-An Taizhou Hardware Co., Ltd ("**BATH**"), a company established under the laws of the People's Republic of China (the Company, BWTS and BATH collectively referred to as "**Bothwell Group**"). The Bothwell Group is in the business of manufacturing high pressure steel forged fittings.

- 2.3 The Shinsei Buyers and the Bothwell Buyers are the existing shareholders of Shinsei Singapore and Bothwell Singapore, respectively.

3. RATIONALE FOR THE PROPOSED DISPOSALS

The Board is of the view that the Proposed Disposals are in the best interests of the Company and its shareholders for the following reasons:-

- 3.1 Shinsei Singapore has generally been in a loss-making position since its incorporation, recording further losses for the 6-month period ended 30 June 2014. Bothwell Singapore merely broke even for the same period. The Group does not foresee any indication nor have any reasonable expectation that the turnaround of such loss-making position and/or further improvements in the financial performance of each of these companies is imminent. In any event, with its current 19% shareholding interest in each of Shinsei Singapore and Bothwell Singapore, the Company does not have control over the important business decisions of such companies.
- 3.2 The Group has been making many attempts to remedy the negative impact on its balance sheet caused by the loss-making position of Shinsei Singapore and the low profit margin position of Bothwell Singapore for shareholders' benefit, including by undertaking a previous disposal of 9,669,280 ordinary shares, representing 32% of the issued and paid-up share capital, of Shinsei Singapore, and 308,000 ordinary shares, representing 11% of the issued and paid-up share capital, of Bothwell Singapore, on such terms and conditions as approved by the shareholders of the Company (the "**First Disposals**").

Together with the First Disposals, the Proposed Disposals further the Group's strategy of gradually moving away from the business of manufacturing and distributing steel flanges (with regards to the business of the Shinsei Group) and high pressure steel forged fittings (with regards to the business of the Bothwell Group) in the People's Republic of China (the "**PRC**") due to the steadily lower profit margins being derived for the Group due to rising manufacturing costs.

The Board refers to the announcements of the Company dated 5 September 2013, 13 December 2013, 30 December 2013, 31 December 2013 and 3 March 2014, as well as the circular to shareholders dated 13 December 2013 (the "**Circular**"), all in relation to the First Disposals.

- 3.3 As stated in paragraph 3 of the Circular, the First Disposals were undertaken in the transition period that the Group commenced the relocation of its flanges manufacturing business from the PRC to Malaysia where manufacturing costs are comparably lower. The Proposed Disposals will not have any adverse impact on the supply of forged flanges for the Group's distribution business as the Group has through its 92% subsidiary Shinsei Industry Sdn. Bhd. (formerly known as Shinseisuperinox Industry Sdn. Bhd.) recently completed construction of its flanges manufacturing production plant, warehousing and ancillary facilities in Penang, Malaysia which has been in commercial production since 1 October 2014 (the "**Malaysian Investment**").

The Board refers to the announcements of the Company dated 12 September 2013 and 8 November 2013 in relation to the Malaysian Investment.

- 3.4 In addition, the sale of the Bothwell Sale Shares and the sale of the Shinsei Sale Shares are inter-conditional (please see paragraphs 4.2 and 4.3 below) and as such, the sale of the Shinsei Sale Shares cannot take place without the sale of the Bothwell Sale Shares taking place.

- 3.5 The Group is desirous of no longer holding such loss-making assets in its balance sheet and to improve the predictability of its cash flows. Further, the Board believes that it is prudent for it to be concentrating its resources, including part of the proceeds from the Proposed Disposals, in such new opportunities with good growth and profit potential.

The proceeds from the Proposed Disposal will provide the Group with more working capital to fund the operations of the Group's core business, for the repayment of outstanding bank loans, and also to undertake new investment opportunities in the Group's profitable businesses that may arise in the future.

4. KEY TERMS OF THE PROPOSED DISPOSALS

A summary of the key terms of the Proposed Disposals as set out in the SPAs is as follows.

4.1 Purchase Price

4.1.1 Shinsei SPA

The total consideration payable by the Shinsei Buyers to the Company for the Shinsei Sale Shares is S\$2,293,584.00 (the "**Shinsei Consideration**"), which is payable as follows:-

- (a) Wu Chien-Mei shall purchase 906,495 Shinsei shares for a consideration of S\$362,144.84;
- (b) Lin Ching-En shall purchase 906,495 Shinsei shares for a consideration of S\$362,144.84;
- (c) Hsu Shih-Chen shall purchase 906,495 Shinsei shares for a consideration of S\$362,144.84; and
- (d) Wu Tsung-Yin shall purchase 3,021,650 Shinsei shares for a consideration of S\$1,207,149.48.

4.1.2 Bothwell SPA

The total consideration payable by the Bothwell Buyers to the Company for the Bothwell Sale Shares is S\$ 2,221,378.00 (the "**Bothwell Consideration**"), which is payable as follows:-

- (a) Wu Chien-Mei shall purchase 252,000 Bothwell shares for a consideration of S\$1,052,231.68;
- (b) Lin Ching-En shall purchase 140,000 Bothwell shares for a consideration of S\$584,573.16; and
- (b) Hsu Shih-Chen shall purchase 140,000 Bothwell shares for a consideration of S\$584,573.16.

Each of the Shinsei and Bothwell Buyers shall pay their respective portions of the Shinsei Consideration and Bothwell Consideration as set out above to the Company by telegraphic transfer in 3 equal instalments, the first of such instalments to be paid on the date falling 1 month

after the Completion Date, and the subsequent 2 instalments to be paid on the date of each anniversary of such latter date.

The Shinsei Consideration and the Bothwell Consideration were each arrived at on a willing buyer, willing seller basis, following arm's length negotiations between the Company and the respective buyers. The Shinsei Consideration and the Bothwell Consideration are each based on the respective net tangible asset values of the Shinsei Group and the Bothwell Group as at 30 June 2014 represented by the Shinsei Sale Shares and the Bothwell Sale Shares respectively, based on the respective management accounts of Shinsei Singapore and Bothwell Singapore as at 30 June 2014.

4.2 Conditions Precedent under the Shinsei SPA

The proposed disposal of the Shinsei Sale Shares under the Shinsei SPA is subject to the following conditions being fulfilled or waived on or before the date falling 6 months from the date of the Shinsei SPA:-

- 4.2.1 the approval of the board of directors of Shinsei Singapore for the transfer of the Shinsei Sale Shares (subject to the stamping of the relevant share transfers), and the other transactions contemplated under the Shinsei SPA being obtained and not withdrawn;
- 4.2.2 the approval of the Board and the shareholders of the Company for the transfer of the Shinsei Sale Shares and the other transactions contemplated under the Shinsei SPA being obtained and not withdrawn;
- 4.2.3 all necessary governmental and regulatory authorisations and third party (if any) consents, approvals, releases and waivers in respect of the transfer of the Shinsei Sale Shares, having been obtained, including without limitation, the approval of the SGX-ST;
- 4.2.4 completion of the sale and purchase of the Bothwell Sale Shares having taken place in accordance with the Bothwell SPA, provided that the aforesaid completion shall take place simultaneously with the completion of the sale and purchase of the Shinsei Sale Shares under the Shinsei SPA; and
- 4.2.5 the execution of a corporate guarantee by Both-Well Steel Fittings Co., Ltd, Taiwan in favour of the Company, on terms and conditions acceptable to the Company in its sole discretion.

4.3 Conditions Precedent under the Bothwell SPA

The proposed disposal of the Bothwell Sale Shares under the Bothwell SPA is subject to the following conditions being fulfilled or waived on or before the date falling 6 months from the date of the Bothwell SPA:-

- 4.3.1 the approval of the board of directors of Bothwell Singapore for the transfer of the Bothwell Sale Shares (subject to the stamping of the relevant share transfers), and the other transactions contemplated under the Bothwell SPA being obtained and not withdrawn;
- 4.3.2 the approval of the Board and the shareholders of the Company for the transfer of the Bothwell Sale Shares and the other transactions contemplated under the Bothwell SPA being obtained and not withdrawn;

- 4.3.3 all necessary governmental and regulatory authorisations and third party (if any) consents, approvals, releases and waivers in respect of the transfer of the Bothwell Sale Shares (including the waivers of pre-emption rights of the existing shareholders of Bothwell Singapore), having been obtained, including without limitation, the approval of the SGX-ST;
- 4.3.4 completion of the sale and purchase of the Shinsei Sale Shares having taken place in accordance with the Shinsei SPA, provided that the aforesaid completion shall take place simultaneously with the completion of the sale and purchase of the Bothwell Sale Shares under the Bothwell SPA; and
- 4.3.5 the execution of a corporate guarantee by Both-Well Steel Fittings Co., Ltd, Taiwan in favour of the Company, on terms and conditions acceptable to the Company in its sole discretion.

4.4 **Completion under the SPAs**

Completion under the Shinsei SPA and the Bothwell SPA shall take place 5 business days (means a week day on which banks are open in Singapore) of the date on which the last condition precedent under the Shinsei SPA or Bothwell SPA (as the case may be) is fulfilled (or such other date as the relevant parties may agree) ("**Completion Date**").

4.5 **Post-Completion Undertakings of the Shinsei Buyers**

The Shinsei Buyers jointly and severally undertake, inter alia, to procure the repayment by Shinsei Singapore to the Company the outstanding debt of S\$2,846,410.54 on or before 30 June 2018, or when the Shinsei Buyers procure the disposal of all the land and building assets of STSF, whichever is the earlier.

4.6 **Post-Completion Undertakings of the Bothwell Buyers**

The Bothwell Buyers shall jointly and severally undertake, inter alia, to procure the repayment by Bothwell Singapore to the Company the outstanding debt of S\$2,621,197.75 on or before 30 June 2018, or when the Bothwell Buyers procure the disposal of all the land and building assets of STSF, whichever is the earlier.

5. **FINANCIAL EFFECTS**

5.1 **Assumptions**

The financial effects on the net tangible assets ("**NTA**") per share and the earnings per share of the Company are set out below. The financial effects which have been prepared based on the audited consolidated financial statements of the Company for its most recently completed financial year ended 31 December 2013 ("**FY2013**"), are purely for illustrative purposes only and do not reflect the actual financial position of the Company after the completion of the Proposed Disposals.

5.2 **NTA**

For illustrative purposes only and assuming the Proposed Disposals had been completed at the end of FY2013, the estimated financial effects of the Proposed Disposals on the consolidated NTA of the Company for FY2013 are as follows:-

	FY2013	Assuming completion of the Proposed Disposals at the end of FY2013
NTA (S\$'000)	62,262	62,291
Number of Shares ('000)	248,973	248,973
NTA per share (cents)	25.01	25.02

5.3 Earnings

For illustrative purposes only and assuming that the Proposed Disposals had been completed at the beginning of FY2013, the effects of the Proposed Disposals on the earnings per share of the Company for FY2013 are as follows:-

	FY2013	Assuming completion of the Proposed Disposals at the beginning of FY2013 ⁽¹⁾
Profit/(loss) after tax (S\$'000)	(273)	532
Number of Shares ('000)	248,973	248,973
Earnings/(loss) per share (cents)	(0.11)	0.21

Note:

- (1) This assumption is based on results contributed by Shinsei Singapore and Bothwell Singapore for FY2013 only, and it does not include any gain/(loss) from the First Disposals.

5.4 Others

Based on the announced consolidated financial statements of the Company for 30 June 2014:-

- (a) the net asset value of the assets being disposed of is approximately S\$4,486,000;
- (b) the net loss attributable to Shinsei Singapore and Bothwell Singapore is approximately S\$400,000 and the amount of the gain on the Proposed Disposals is approximately S\$28,962; and
- (c) the excess of the proceeds over the net asset value of the assets after the Proposed Disposals is approximately S\$28,962.

The proceeds from the Proposed Disposals will be used as working capital to fund the operations of the Group's core business, for the repayment of outstanding bank loans, and also to undertake new investment opportunities that may arise in the future.

6. RULE 1006

6.1 In compliance with the Singapore Exchange Securities Trading Limited Listing Manual (the "**Listing Manual**"), the relative figures computed pursuant to Rule 1006 of the Listing Manual in relation to the Proposed Disposals, based on the announced unaudited consolidated financial statements of the Group for the 6-month period ended 30 June 2014 are set out below:-

(i) Rule 1006(a) – Net asset comparison

Net asset value of the assets to be disposed of:-	
(i) Shinsei Sale Shares – S\$2,236,000	
(ii) Bothwell Sale Shares – S\$2,250,000	S\$4,486,000
Net asset value of the Group	S\$67,808,000
Relative figure	6.62%

(ii) Rule 1006(b) – Net profit comparison

Net profits/(loss) attributable to the assets to be disposed of:-	
(i) Shinsei Sale Shares – S\$(452,000)	
(ii) Bothwell Sale Shares – S\$52,000	S\$(400,000)
Net profits of the Group	S\$938,000
Relative figure	(42.64)%

(iii) Rule 1006(c) – Consideration comparison

Aggregate value of the consideration received:-	S\$4,514,962
(i) Shinsei Sale Shares – S\$2,293,584	
(ii) Bothwell Sale Shares – S\$2,221,378	
The Company's market capitalisation as at 1 December 2014 based on the total number of issued shares, excluding treasury shares	S\$25,146,000
Relative figure	17.95%

(iv) Rule 1006(d) – Equities in issue comparison

Number of equity securities issued by the Company as consideration for an acquisition	Not applicable
Number of equity securities previously in issue	Not applicable
Relative figure	Not applicable

6.2 Based on the above, the relative figure pursuant to Rule 1006(b) is negative and Rule 1007 provides that Chapter 10 of the Listing Manual may still be applicable at the SGX-ST's discretion. The relative figure pursuant to Rule 1006(b) also crosses the 20% threshold provided for in Rule

1014 of the Listing Manual for Major Transactions. In this connection, the Company will be seeking the SGX-ST's consent for a waiver from the requirement to seek shareholders' approval for the Proposed Disposals, as the assets to be disposed of are loss-making.

In the event that the SGX-ST does not grant such waiver, the Proposed Disposals will be subject to the approval of the Company's shareholders. The Board will update the shareholders with the SGX-ST's reply to its application for waiver.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Disposals.

8. DIRECTORS' SERVICE CONTRACTS

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

9. MISCELLANEOUS

As mentioned above, should the Proposed Disposals require approval by the Company's shareholders in a general meeting pursuant to Rule 1014 of the Listing Manual, a circular containing further details of the Proposed Disposals and enclosing a notice of the Extraordinary General Meeting in connection therewith will be despatched to the shareholders. The Board will update the shareholders with the SGX-ST's reply to its application for waiver of shareholders' approval for the Proposed Disposals.

A copy of each of the SPAs is available for inspection by prior appointment during normal business hours at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 for 3 months from the date of this announcement.

Shareholders and potential investors should note that the Proposed Disposals are subject to the fulfilment of the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Ng Kim Keang
Finance Director
2 December 2014