

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**") wishes to announce that it has on 5 September 2013 entered into two Sale and Purchase Agreements (the "**SPAs**"), whereunder:-

- 1.1 the Company will sell 9,669,280 ordinary shares in the share capital of Shinsei Company (S) Pte. Ltd. ("**Shinsei Singapore**") (the "**Shinsei Shares**"), a subsidiary of the Company, to Wu Chien-Mei, Lin Ching-En, Hsu Shih-Chen and Wu Tsung Yin (collectively, the "**Shinsei Buyers**") (the "**Shinsei SPA**"). As at the date of this Announcement, the Company holds 15,410,415 shares in Shinsei Singapore, constituting 51% of such company's issued share capital; and
- 1.2 the Company will sell 308,000 ordinary shares in the share capital of Both-Well Holdings (S) Pte. Ltd. ("**Bothwell Singapore**") (the "**Bothwell Shares**"), an associated company of the Company, to Lin Ching-En and Hsu Shih-Chen (collectively, the "**Bothwell Buyers**") (the "**Bothwell SPA**"). As at the date of this Announcement, the Company holds 840,000 shares in Bothwell Singapore, constituting 30% of such company's issued share capital,

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

Upon completion of the Proposed Disposals, the Company will hold a 19% shareholding stake in each of Shinsei Singapore and Bothwell Singapore. Shinsei Singapore will also cease to be a subsidiary of the Company and Bothwell Singapore will cease to be an associated company of the Company.

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

- 2.1 Shinsei Singapore has at the date of this Agreement, 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 owned 50% shareholdings 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 existing shareholders of Shinsei Singapore and Bothwell Singapore, respectively.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Directors are 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 is loss-making and the proposed disposal of the Shinsei Shares is part of the Group's plans to gradually move away from the business of manufacturing and distributing steel flanges in the People's Republic of China (the "**PRC**") due to lower profit margins being derived for the Group. The Group has identified a potential location for the commencement of the steel flanges manufacturing business in Malaysia;
- 3.2 the proposed disposal of the Bothwell Shares is also part of the Group's plans to gradually move away from having manufacturing operations in the PRC due to rising costs which result in lower profit margins in manufacturing of high pressure steel forged fittings. In addition, the sale of the Bothwell Shares and the sale of the Shinsei Shares are inter-conditional (please see paragraphs 4.2 and 4.3 below) and as such, the sale of the Shinsei Shares cannot take place without the sale of the Bothwell Shares taking place;
- 3.3 the Company will be able to largely realise its investments in Shinsei Singapore and Bothwell Singapore and to unlock the value thereof for its shareholders; and
- 3.4 the proceeds from the Proposed Disposal will provide the Group with more working capital to fund the operations of the Group's core business and also to undertake new investment opportunities that may arise in the future.

4. KEY TERMS OF THE PROPOSED DISPOSALS

The terms of the Proposed Disposals are set out in the SPAs. A summary of the key terms of the Proposed Disposals are set out in this section.

4.1 Purchase Price

4.1.1 Shinsei SPA

The total consideration payable by the Shinsei Buyers to the Company for the Shinsei Shares is S\$5,326,907.75 (the "**Shinsei Consideration**"), which is payable as follows:-

- (a) Wu Chien-Mei shall purchase 3,021,650 Shinsei Shares for a consideration of S\$1,664,658.67;
- (b) Lin Ching-En shall purchase 3,021,650 Shinsei Shares for a consideration of S\$1,664,658.67;
- (c) Hsu Shih-Chen shall purchase 3,021,650 Shinsei Shares for a consideration of S\$1,664,658.67; and
- (d) Wu Tsung-Yin shall purchase 604,330 Shinsei Shares for a consideration of S\$332,931.74.

4.1.2 **Bothwell SPA**

The total consideration payable by the Bothwell Buyers to the Company for the Bothwell Shares is S\$1,319,192.60 (the "**Bothwell Consideration**"), which is payable as follows:-

- (a) Lin Ching-En shall purchase 168,000 Bothwell Shares for a consideration of S\$719,559.60; and
- (b) Hsu Shih-Chen shall purchase 140,000 Bothwell Shares for a consideration of S\$599,633.00.

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 mainly take into account (a) the respective net tangible asset values of the Shinsei Group and the Bothwell Group as at 30 June 2013 represented by the Shinsei Sale Shares and the Bothwell Sale Share respectively, based on the respective management accounts of Shinsei Singapore and Bothwell Singapore as at 30 June 2013, and (b) an agreed portion of the respective land valuation surpluses relating to the land held by Shinsei Singapore and Bothwell Singapore.

4.2 **Conditions Precedent under the Shinsei SPA**

The proposed disposal of the Shinsei Singapore 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 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 of directors and the Shareholders of the Company for the transfer of the Shinsei 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 Shares, having been obtained, including without limitation, the approval of the SGX-ST; and
- 4.2.4 completion of the sale and purchase of the Bothwell 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 Shares under the Shinsei SPA.

4.3 **Conditions Precedent under the Bothwell SPA**

The proposed disposal of the Bothwell 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 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 of directors and the Shareholders of the Company for the transfer of the Bothwell 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 Shares (including the waivers of pre-emption rights from the other existing shareholders of Bothwell Singapore), having been obtained, including without limitation, the approval of the SGX-ST; and
- 4.3.4 completion of the sale and purchase of the Shinsei 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 Shares under the Bothwell SPA.

4.4 **Completion under the SPAs**

Completion under the Shinsei SPA and the Bothwell SPA shall take place on within five 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.

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

The Shinsei Buyers shall jointly and severally, *inter alia*, procure the repayment by Shinsei Singapore to the Company of the outstanding debt of S\$2,462,585.47 as follows:-

- 4.5.1 Shinsei Singapore shall repay the initial amount of S\$1,231,292.74 to the Company on or before 31 July 2014; and
- 4.5.2 Shinsei Singapore shall repay the remaining amount of S\$1,231,292.73 to the Company on or before 31 July 2015.

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

The Bothwell Buyers shall jointly and severally, *inter alia*, procure the repayment by Bothwell Singapore to the Company of the outstanding debt of S\$1,179,962.43 as follows:-

- 4.6.1 Bothwell Singapore shall repay the initial amount of S\$589,981.22 to the Company on or before 31 July 2014; and
- 4.6.2 Bothwell Singapore shall repay the remaining amount of S\$589,981.21 to the Company on or before 31 July 2015.

5. **FINANCIAL EFFECTS**

5.1 **Assumptions**

The financial effects on the net tangible assets (the "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 2012 ("FY2012"), 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 FY2012, the estimated financial effects of the Proposed Disposals on the consolidated NTA of the Company for FY2012 are as follows:-

	FY2012	Assuming completion of the Proposed Disposals at the end of FY2012
NTA (S\$'000)	S\$62,783	S\$63,602
Number of Shares ('000)	248,973	248,973
NTA per share (cents)	25.22	25.55

5.3 Earnings

For illustrative purposes only and assuming that the Proposed Disposals had been completed at the beginning of FY2012, the effects of the Proposed Disposals on the earnings per share of the Company for FY2012 are as follows:-

	FY2012	Assuming completion of the Proposed Disposals at the beginning of FY2012
Profit/(loss) after tax (S\$'000)	S\$2,492	S\$3,166
Number of Shares ('000)	248,973	248,973
Earnings/(loss) per share (cents)	1.00	1.27

5.4 Others

Based on the latest announced consolidated financial statements of the Company for 30 June 2013:-

- (a) the net asset value of the assets is approximately S\$17,685,000;
- (b) the net loss attributable to the Shinsei Singapore and Bothwell Singapore is approximately S\$1,988,000 and the amount of the gain on the Proposed Disposals is approximately S\$819,000; and
- (c) the excess of the proceeds over the net asset value of the assets after the Proposed Disposals is approximately S\$819,000.

The proceeds from the Proposed Disposals will be used as working capital to fund the operations of the Group's core business 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 latest announced consolidated accounts of the Company for 30 June 2013, are as follows:-

(a) *Rule 1006(a)*

Net asset value of the assets to be disposed of:-

(i) Shinsei Singapore – S\$14,265,000	
(ii) Bothwell Singapore – S\$3,420,000	S\$17,685,000

Net asset value of the Group	S\$62,816,000
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Size of relative figure	28.15%
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(b) *Rule 1006(b)*

Net profits/(loss) attributable to the assets to be disposed of

(i) Shinsei Singapore – (S\$1,777,000)	
(ii) Bothwell Singapore – (S\$211,000)	(S\$1,988,000)

Net profits of the Group	S\$494,000
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Size of relative figure	(402.43%)
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(c) *Rule 1006(c)*

Aggregate value of the consideration received	S\$6,646,000
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(i) Shinsei Singapore – S\$5,326,907.75	
(ii) Bothwell Singapore – S\$1,319,192.60	

The Company's market capitalisation as at 4 September 2013 based on the total number of issued shares, excluding treasury shares	S\$25,146,000
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Size of relative figure	26.43%
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(d) *Rule 1006(d)*

Number of equity securities issued by the Company as consideration for an acquisition	Not applicable
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Number of equity securities previously in issue	Not applicable
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Size of relative figure	Not applicable
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6.2 As the relative figures calculated under Rules 1006(a), (b) and (c) of the Listing Manual is more than 20%, the Proposed Disposals are considered a Major Transaction under Chapter 10 of the Listing Manual, and are therefore subject to shareholders' approval.

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, the Proposed Disposals are considered a Major Transaction under Rule 1014 of the Listing Manual and would therefore require approval by the Company's shareholders in a general meeting. A circular containing further details on the Proposed Disposals and enclosing a notice of the Extraordinary General Meeting in connection therewith will be despatched to the shareholders in due course.

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
5 September 2013