

(1) PROPOSED DISPOSAL OF FIXED ASSETS, INVENTORIES & PRINCIPLE BUSINESS
(2) WINDING UP OF LINXING WATER SUPPLY CO., LTD (长兴县林城镇林兴自来水有限公司)

1. THE DISPOSAL OF ASSETS AND WINDING UP OF LINXING

1.1 Introduction

The board of directors of AnnAik Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that LinXing Water Supply Co., Ltd (长兴县林城镇林兴自来水有限公司) ("**LinXing**"), a subsidiary 85% owned by ChangXing LinSheng Wastewater Treatment Co., Ltd (长兴林盛水质净化有限公司) ("**LinSheng**") and 15% owned by Zhang Jian Wen (unrelated party), has on 20 August 2019 entered into a sale and purchase agreement (the "**SPA**") with ChangXing LinCheng QingQuan Water Supply Co., Ltd (长兴林城清水水务有限公司) (the "**Purchaser**") and the Changxing Lincheng Government (长兴县林城镇人民政府) for the sale of LinXing's fixed assets, inventories and its principle business (together with the Fixed Assets and Inventories, the "**Assets**"), on the terms and subject to the conditions of the SPA (the "**Proposed Disposal**").

LinSheng is a subsidiary 88% owned by Anxon Eco Holdings Pte Ltd., a wholly-owned subsidiary of the Company.

Upon completion of the Proposed Disposal ("**Completion**"), LinXing shall, under the terms of the SPA, be wound up by way of a members' voluntary winding up (the "**Winding Up**") by 1 February 2020.

1.2 Information on LinXing

LinXing was incorporated in the People's Republic of China ("**PRC**") on 15 August 2000 and its principal activities include central water supply and pipeline installation and maintenance.

1.3 Principal terms of the Proposed Disposal

1.3.1 Consideration

The aggregate consideration for the Proposed Disposal will be an amount in cash equal to the sum of RMB 16,200,000 (the "**Consideration**").

The Consideration was determined based on an arm's length, willing-seller-willing-buyer basis, after taking into account various factors including the net book value of the Assets (the "**Net Book Value**") and valuation conducted by Purchaser.

Based on the unaudited management accounts of LinXing as at 30 June 2019, the Net Book Value is RMB 8,746,319.

1.3.2 Terms of Payment

The Consideration will be paid by the Purchaser for the Proposed Disposal in the following manner:-

- (a) RMB 3,000,000 within 5 business days from the date of signing of the SPA;
- (b) RMB 8,000,000 within 5 business days from completion of the following:

- (i) the handover of all records relating to the Assets (including without limitation, all invoices, contracts, plans, certifications and technical information) to the Purchaser;
 - (ii) the registration of the transfer of land use rights in respect of the industrial site and shared facilities currently occupied by LinXing;
 - (iii) the handover of all records relating to the customer accounts of LinXing to the Purchaser;
 - (iv) in respect of land use rights which have been granted to LinXing but to which the certificate of land use rights have yet to be issued by the relevant government authority, LinXing shall provide the Purchaser with all records (including without limitation, invoices, contracts and plans) relating to such land, and documents evidencing that such land use rights have been granted; and
 - (v) the provision to the Purchaser of a list of employees to be transferred to the Purchaser and a list of employees whose employment contracts are to be terminated after completion of the Proposed Disposal. In respect of employees whose employment contracts are to be terminated, any compensation made by LinXing to such employees shall be reimbursed by the Purchaser, but only to the extent that such compensation does not exceed any limits prescribed under the laws of the PRC;
- (c) RMB 4,000,000 within 5 business days from completion of the transfer of the principle business of LinXing (including the transfer of all customer accounts) and the transfer and/or termination of the employees (including payment of any compensation to any employees whose employment contracts have been terminated); and
 - (d) the remaining RMB 1,200,000 within 5 business days from the completion of winding up of LinXing.

1.3.3 Cut-Off Date

Under the terms of the SPA, the Purchaser shall, from 1 September 2019 (the “**Cut-Off Date**”):

- (a) be liable to pay the wages and benefits of the employees who have been transferred to the Purchaser on or before 20 August 2019; and
- (b) be entitled to all monies generated from the operations of the Assets.

1.3.4 Completion

Under the terms of the SPA, Completion shall take place by 20 September 2019.

1.3.5 Gain on Proposed Disposal of Assets

Based on the unaudited management accounts of LinXing as at 30 Jun 2019, the Consideration as compared to the Net Book Value will result in a gain on disposal of RMB 7,453,681 to be recorded in LinXing’s accounts.

1.3.6 Winding Up

Under the terms of the SPA, Winding Up shall take place by 1 February 2020 after settlement of all of LinXing’s liabilities by LinXing. The Purchaser shall, for a period of 6 months from Completion, assist LinXing in the collection of receivables due to LinXing before the Cut-off Date, in order to facilitate finalisation of the financial accounts of LinXing prior to the Winding Up.

2. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

As the Proposed Disposal of Assets will ultimately lead to the Winding Up by 1 February 2020 under the terms of the SPA, the Proposed Disposal and the Winding up shall be regarded as one transaction for the purposes of Chapter 10 of the Catalist Rules.

For the purposes of Chapter 10 of the Catalist Rules, the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules based on the unaudited consolidated financial statements of the Group as at 30 June 2019 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.	1% ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired or disposed, compared with the Group's net profits ⁽¹⁾ .	22% ⁽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.	21% ⁽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 ⁽⁵⁾
(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 ⁽⁵⁾

Notes:

- (1) Gain in disposal of assets of approximately RMB 7,453,681 or approximately SGD 1,468,487 has not been included for the calculation.
- (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 assets to be disposed of is approximately RMB 580,645 or approximately SGD 114,717 and the Group's net profits is SGD 523,000. Gain in disposal of assets of approximately RMB 7,453,681 or approximately SGD 1,468,487 has not been included for the calculation.
- (4) The relative figure is calculated using the total cash consideration of RMB 16,200,000 or SGD 3,191,489 from the Proposed Disposal and Winding Up, against the market capitalisation, which is calculated based on the volume weighted average price of SGD 0.062 on 19 August 2019, being the last market day on which the shares of the Company were traded, preceding the date of this Announcement.
- (5) This basis is not applicable to the Proposed Disposal.

As the relative computation under Rules 1006 (b) and (c) exceeds 5%, the Proposed Disposal and Winding Up is a discloseable transaction under Part VI of Chapter 10 of the Catalist Rules.

3. RATIONALE FOR THE PROPOSED DISPOSAL AND WINDING UP

The Proposed Disposal and the Winding Up was initiated by the government of ChangXing to acquire and consolidate water supply assets and companies in ChangXing to ensure distribution of safe drinking water within ChangXing.

The government of ChangXing had appointed ChangXing Urban Construction Co., Ltd. (长兴城市建设投资集团有限公司) (“**ChangXing Urban Construction**”) for the acquisition of such water supply assets and companies in ChangXing, and the Purchaser was designated by ChangXing Urban Construction as purchaser in respect of the Proposed Disposal.

4. USE OF PROCEEDS

The Company intends to utilise the net proceeds from the Proposed Disposal as repayment of the shareholders loan granted by LinSheng to LinXing and for the settlement of all liabilities of LinXing.

Upon the Winding Up, the remaining proceeds shall be returned to the shareholders of LinXing, in proportion to their respective shareholding. The remaining proceeds which are returned to LinSheng shall be utilised for the expansion of its remaining wastewater treatment plants in ChangXing, for dividend payments to the shareholders of LinSheng and for working capital purposes.

5. FURTHER INFORMATION RELATING TO THE PROPOSED DISPOSAL AND WINDING UP

5.1 Financial Effects

The financial effects of the Proposed Disposal and the Winding Up 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 Proposed Disposal and the Winding Up. The financial effects of the Proposed Disposal and the Winding Up set out below have been prepared based on the Company’s audited consolidated financial statements for the financial year ended 31 December 2018 (“**FY2018**”) are as follows:-

5.1.1 Earnings per Share (“EPS”)

The effects of the Proposed Disposal and the Winding Up on the EPS of the Company for FY2018, assuming that the Proposed Disposal and the Winding Up had been effected at the beginning of FY2018, are summarised below:

EPS	Before the Proposed Disposal and Winding Up	After the Proposed Disposal and Winding Up
Earnings ⁽¹⁾ (S\$'000)	1,222	2,631
Weighted average number of issued shares ('000)	246,406	246,406
EPS - Basic and Diluted (cents)	0.50	1.07

Notes:

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

5.1.2 Net Tangible Assets (“NTA”)

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

NTA	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA ⁽¹⁾ (S\$'000)	51,514	52,923
Number of issued shares ('000)	246,406	246,406
Consolidated NTA per share (cents)	20.91	21.48

Notes:

(1) Represents consolidated NTA attributable to the shareholders of the Company.

5.2 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 Proposed Disposal and the Winding Up other than through their respective interests (if any) in the Company.

5.3 Directors' Service Contracts

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

6. 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 3 months commencing from the date of this Announcement.

7. 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.

8. COMPLIANCE WITH GOVERNING LAWS AND CONSTITUTION OF THE COMPANY

The terms of the Proposed Disposal comply with all applicable laws and do not contravene any regulations set out in the constitution of the Company.

9. 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 Proposed Disposal and the Winding Up 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
20 August 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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