AA GROUP HOLDINGS LTD.
(Company Registration No: 200412064D)

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOKO CONSTRUCTION PTE LTD

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1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of AA Group Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that A2A Management Pte Ltd ("**A2A**"), a wholly-owned subsidiary of the Company has entered into a conditional share sale agreement ("the "**Agreement**") with Chew Liang Kwang ("**CLK**") and Chew Mee Seng ("**CMS**") (and together with CLK hereinafter referred to as the "**Vendors**") on 18 December 2015 to acquire the entire issued and paid-up share capital of Toko Construction Pte Ltd (the "**Target**") on the terms and conditions of the Agreement (the "**Proposed Acquisition**") for an aggregate consideration of S$2,000,000.

The Group's business currently focuses in the manufacturing and supply of high-precision cold forged loudspeaker parts, which include T-yokes, U-yokes, washers, and frames to manufactures of automotive and commercial audio devices, home audio-visual products and other consumer electronic products, as well as trading in LCD and computer accessories. The Group is also involved in the trading of iron ore and/or other minerals.

As the Proposed Acquisition will result in the Company entering into a new business sector, it will be subject to the approval of shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting ("**EGM**") to be convened.

2. INFORMATION ON THE VENDORS AND THE TARGET

The information on the Vendors and the Target in this paragraph 2 was provided by the Vendors, which has been extracted and reproduced herein. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this Announcement.

2.1. The Vendors

CLK is the founder and a director of the Target. He founded the Target in 1989 after gaining experience working as a foreman and project supervisor in various sectors of the construction industry. The Target initially specialised in additions and alterations work but later branched out to build factories and houses. Under CLK's guidance, the Target's business further expanded to include design and build services which involves the designing and building of Good Class Bungalows (GCBs) and semi-detached houses from scratch. CLK has also been invited to be a consultant for a property development in Melbourne, Australia, and a mixed retail and hotel development in Kota Kinabalu, Malaysia. CLK is also a director of Toko Development Pte. Ltd. which is an investment holding company for a 1,700 unit condominium resort in Petchaburi, Thailand.

CMS is the wife of CLK and became a director of the Target when it was converted from a sole proprietorship to a private exempt company on 10 January 2011. CMS has been managing the administrative matters of the Target since it was founded in 1989.

2.2. The Target

The Target is a private exempt company incorporated in Singapore with limited liability and is engaged in the business of building construction in Singapore. The Target has a Class 2 Builder's Licence issued by the Building and Construction Authority which allows the Target to undertake general building works for projects of S$6 million or less. The shareholders of the Target are CLK (90%) and CMS (10%). Since its incorporation in 1989, the Target has completed various projects in Singapore, such as additions and alterations, new construction and reconstruction of GCBs and semi-detached houses. The Target's ongoing projects include the erection of two pairs of semi-detached houses which is due to be completed in 2016 and has a contract value of S$5.89 million. No valuation on the Target has been carried out for the Proposed Acquisition.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition is in the best interests of the Company and the Shareholders as the Target is a financially strong and profitable company which will be able to provide consistent returns to the Group. The Proposed Acquisition will enable the Group to tap on the Target's reputable brand name for the construction of GCBs, as well as the expertise of CLK who has substantial experience in the building and construction industry.

The Proposed Acquisition presents a good opportunity for the Company to enter into the building and construction business and provide Shareholders with diversified returns and long term growth. The Proposed Acquisition will enable the Group to reduce its reliance on its current core business and provide the Group with new revenue streams in order to enhance Shareholders' value.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1. Sale and Purchase

Pursuant to the Agreement, A2A will acquire 50,000 ordinary shares in the capital of the Target (the "**Sale Shares**"), representing 100% of the issued and paid-up capital of the Target free from all encumbrances and together with all rights attaching thereto. Following completion of the Proposed Acquisition ("**Completion**"), the Target will become a wholly-owned subsidiary of A2A.

On, subject to and with effect from Completion, CLK shall assign and transfer to A2A all of his present and future rights, title and interest in and to the loans and advances made by CLK to the Target as at the date of Completion (the "**Shareholder's Loan**"), free from all encumbrances and with all rights attaching thereto. The Shareholder's Loan as at the date of the SPA is S$938,435.

4.2. Consideration

The aggregate consideration for the assignment and transfer of the Shareholder's Loan and the sale and purchase of the Sale Shares shall be S$2,000,000 (the "**Consideration**").

The consideration for the assignment and transfer of the Shareholder's Loan shall be the amount equal to the Shareholder's Loan, while the consideration for the sale and purchase of the Sale Shares shall be the amount equivalent to the difference between S$2,000,000 and the Shareholder's Loan, and shall be divided amongst the Vendors in proportion to their shareholdings in the Target.

Upon execution of the Agreement, A2A has made payment of S$500,000 (the "**Deposit**") to the Vendors which shall constitute part of the consideration for the sale and purchase of the Sale Shares. The balance Consideration will be payable on Completion. In the event the Sale Conditions (as defined below) are not fulfilled on or before the Long-Stop Date (as defined below), the Deposit shall be refunded in full to A2A.

The Consideration was arrived at following arm's length negotiations on a willing buyer willing seller basis, and taking into account the net profit of the Target for the year ended 31 December 2014 and the nine month period ended 30 September 2015 of S$309,283 and S$333,390 respectively.

The Consideration will be funded by the internal resources and loans from Shareholders. The loans extended by Shareholders are interest-free, unsecured and have no maturity period.

4.3. Completion

Under the terms of the Agreement, the completion of the Proposed Acquisition is conditional upon, amongst others (the "**Sale Conditions**"):

(a) the completion by A2A of a due diligence exercise on the Target and the results of such due diligence exercise being satisfactory to A2A;

(b) the approval of the Shareholders for the transactions contemplated under this Agreement being obtained at a general meeting of the Shareholders; and

(c) all necessary consents or approvals (if any) being granted by third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the sale of the Sale Shares or the transactions contemplated under this Agreement and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions being fulfilled before Completion and such consents or approvals not being revoked or repealed on or before Completion.

Completion of the Proposed Acquisition will take place on the date falling five (5) market days after the satisfaction of the last Sale Condition in accordance with the Agreement.

If the Sale Conditions have not been fulfilled on or before the date falling six (6) months after the date of the Agreement (the "**Long-Stop Date**"), the Agreement shall *ipso facto* cease and all rights and liabilities of the parties thereunder shall cease. In the event of any cessation as aforesaid, the Vendors shall forthwith refund the Deposit to A2A.

4.4. Value of the Sale Shares

4.4.1. <u>Book Value/Net Tangible Assets Value</u>

The book value and the net tangible assets value of the Target as at 30 September 2015 is S$508,429 and S$508,429 respectively.

4.4.2. Net Profits

The net profits attributable to the Target for the nine months period ended 30 September 2015 is S$333,930.

4.5. Service Contracts

There are no persons proposed to be appointed as directors of the Company in connection with the Proposed Acquisition.

On Completion, CLK will enter into a service agreement with the Target (the "**Service Agreement**"). The Service Agreement is valid for a period of two (2) years and either party may terminate the Service Agreement at any time by giving to the other party not less than three (3) months' notice, or in lieu of such notice, an amount equal to three (3) months' salary based on his last drawn monthly salary.

The Service Agreement provides for, *inter alia,* the salary payable to CLK, annual leave, medical benefits, grounds of termination and certain restrictive covenants (including non-compete obligations).

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1. Assumptions

The pro forma financial effects in this section are based on the audited consolidated financial statements of the Group and the unaudited financial statements of the Target for the financial year ended 31 December 2014 ("**FY2014**") and are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following Completion.

5.2. Net Tangible Assets

For illustrative purposes and assuming the Proposed Acquisition had been completed on 31 December 2014, the pro forma financial effects on the consolidated net tangible assets ("**NTA**") for FY2014 are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA (S$'000)	13,249,602	12,363,646
Number of shares	96,276,201	96,276,201
NTA per share (Singapore cents)	13.76	12.84

5.3. Earnings

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 January 2014, the pro forma financial effects on the earnings per share of the Group for FY2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders after tax from continuing operations (S$'000)	(9,557)	292,585
Number of weighted average shares	96,276,201	96,276,201
Earnings per share (Singapore cents)	(0.01)	0.30

5.4. Share Capital

The Proposed Acquisition will not have any effect on the share capital and shareholding structure of the Company as it does not involve the allotment and issuance of any new shares in the Company and the Consideration is satisfied wholly in cash.

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006

Based on (i) the unaudited consolidated financial statements of the Group for the six month period ended 30 June 2015 ("**1H2015**") and (ii) the unaudited financial statements of the Target for 1H2015, the relative figures for the Proposed Acquisition computed on the bases set out in Rules 1006 (a) to (e) of the Catalist Rules are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. Not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits	585 (1)
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	21.98 (2)
(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
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

(1) The net profits of the Group for 1H2015 were S$28,000. The net profits of the Target for 1H2015 were S$163,789.

(2) The market capitalisation was derived from the 96,276,201 shares of the Company in issue and the weighted average price of S$0.095 per share as at 17 December 2015, being the last traded market day immediately preceding the date of the Agreement.

The Board notes that the relative figures computed on the base set out in Rule 1006(b) of the Catalist Rules is more than 100%. As the Proposed Acquisition is an acquisition of a profitable asset, it is deemed to be a "Discloseable Transaction" as defined under Chapter 10 of the Catalist Rules.

As the Proposed Acquisition will result in the Company entering into a new business sector, it will be subject to the approval of the Shareholders at an extraordinary general meeting to be convened. In connection with the above, the Company will convene an EGM to seek Shareholders' approval on the Company's business diversification with regards to the Proposed Acquisition.

7. EXTRAORDINARY GENERAL MEETING

The circular to the Shareholders setting out information on the Proposed Acquisition together with a notice of the EGM to be convened will be dispatched to the Shareholders in due course.

8. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or substantial shareholders of the Company (other than in their capacity as directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed Acquisition.

9. RESPONSIBILITY STATEMENT

The Directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the Directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

10. DOCUMENT FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this announcement.

By order of the Board

AA Group Holdings Ltd.
Feng, Tzu-Ju @ Julie Feng
Managing Director

18 December 2015

This announcement has been prepared by the Company and its contents have been reviewed by the company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST 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 announcement.

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