

AA GROUP HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No: 200412064D)

PROPOSED ACQUISITION OF 95% OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF W&P PRECAST PTE. LTD.

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 the Company has entered into a conditional Sale and Purchase of Shares Agreement (“the “**Agreement**”) with Poh Huat Heng Corporation Pte. Ltd. (the “**Vendor**”) on 19 May 2017 to acquire 95% of the entire issued and paid-up share capital of W&P Precast Pte. Ltd. (the “**Target**”) on the terms and conditions of the Agreement (the “**Proposed Acquisition**”) for an aggregate consideration of S\$2,100,000 (the “**Consideration**”).

2. INFORMATION ON THE TARGET

The information on the Vendor and the Target in this paragraph 2 was provided by the Vendor. 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 Target

The Target is a private company incorporated in Singapore with limited liability. It is principally engaged in the business of manufacturing of articles of concrete, cement and plaster, and those relating to general contractors. The directors of the Target are Tan Poh Guan, Ng Chuan Heng and Eric Sean Koo Kong Chew. The shareholders of the Target are the Vendor and Eric Sean Koo Kng Chew. The directors of the Vendor are Tan Poh Guan, Tan Jun Hao and Ng Chuan Heng and the shareholders of the Vendor are Ng Chuan Heng, Teo Siew Cheng, Tan Poh Guan, Tan Zhen Ying and Tan Jun Hao.

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 of the Company (“**Shareholders**”) as the Target is attractively priced given the current market cycle of the industry. As most know that the industry is probably at the trough of market cycle, an acquisition at this moment will provide the Company with upside potential once the industry turns around.

The Proposed Acquisition presents a good opportunity for the Company to diversify its business and position itself for a pick-up in the industry of the Target.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1. Sale and Purchase

Pursuant to the Agreement, the Company will acquire 23,750 fully paid-up ordinary shares in the capital of the Target (the **"Sale Shares"**), representing 95% of the entire issued and paid-up capital of the Target free from all encumbrances and together with all rights attaching thereto from the Vendor. Following completion of the Proposed Acquisition (**"Completion"**), the Target will become a subsidiary of the Company.

4.2. Consideration

The Consideration for the sale and purchase of the Sale Shares shall be satisfied by the Company through the allotment and issuance of 70,000,000 new ordinary shares in the capital of the Company (the **"Consideration Shares"**) at the issue price of S\$0.03 per Consideration Share (**"Issue Price"**) to the Vendor. Based on the Issue Price of S\$0.03 per Consideration Share, this represents a discount of approximately 8.98% of the weighted average price of S\$0.03296 per ordinary share in the capital of the Company (**"Share(s)"**) for trades done on Catalist of the SGX-ST (**"Catalist"**) on 19 May 2017 (being the full market day on which the Agreement is signed).

The Consideration Shares, when allotted and issued, shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank pari passu in all respects with and carry all rights similar to the existing ordinary shares of the Company (**"Shares"**), except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of the Consideration Shares.

The Vendor is not person who fall within the categories set out in Rule 812(1) of Section B: Rules of Catalist of the Listing Manual (**"Rules of Catalist"**) of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) unless Rule 812(3) of the Rules of Catalist applies. There is no moratorium imposed on the Consideration Shares.

The Sponsor of the Company, Stamford Corporate Services Pte. Ltd., will be making an application on behalf of the Company to SGX-ST, for the listing and quotation of the Consideration Shares on Catalist. The Company will make the necessary announcement in due course upon obtaining the approval in-principle from the SGX-ST.

The Consideration was arrived at following arm's length negotiations on a willing buyer willing seller basis, and taking into account (i) the net profit of the Target for the twelve months from 1 April 2016 to 31 March 2017; and (ii) the net asset value of the Target for the twelve months period from 1 April 2016 to 31 March 2017.

4.3. Completion

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

- (a) the Purchaser being satisfied in its sole discretion with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Purchaser and/or its advisers on the Company, including without limitation the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure, its subsidiaries and associated companies and the Vendor procuring the Company to regularise and/or resolve any issues raised under the said due diligence;
- (b) all necessary requirements under the Catalist Rules and all necessary consents or approvals (if any) being granted by third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the acquisition of the Sale Shares or the transactions contemplated under this Agreement as the Purchaser may deem necessary (including without limitation, the consent or approval of the SGX-ST or the

Shareholders (as applicable and where required)) 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;

- (c) the provision of any documents which may be required for the Purchaser (at their sole discretion), whether from the Vendor or otherwise, to comply with the Catalist Rules, applicable laws and regulations;
- (d) there being no adverse change (as determined by the Purchaser in its sole and absolute discretion) in the global economy and the prospects, operations or financial condition of the Company occurring on or before the Completion Date;
- (e) no governmental authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
 - i. make the transactions contemplated in this Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
 - ii. render the Purchaser unable to purchase all or any of the Sale Shares in the manner set out in this Agreement; and/or
 - iii. render the Vendor unable to dispose of all or any of their Sale Shares in the manner set out in this Agreement;
- (f) listing and quotation notice being received from the SGX-ST for the dealing in, listing of and quotation for the Consideration Shares on the Catalist and where such listing and quotation notice is obtained subject to any conditions, such conditions being reasonably acceptable to the Vendor and the Purchaser as confirmed by these Parties;
- (g) the appointment of such directors nominated by the Purchaser to form part of the Company's board of directors;
- (h) the receipt of approvals of the respective board of directors of the Purchaser and the Company for the transfer of the Sale Shares;
- (i) the Vendor obtaining the undertaking from the directors of the Company to continue with the provision of personal guarantees for hire purchase facilities of the Company with the Purchaser providing an indemnity to them with regards to the same in the form as substantially set out in the Agreement;
- (j) the Company entering into a services agreement with the Vendor for certain services to be provided by the Vendor in the form as substantially set out in the Agreement;
- (k) the Company entering into an agreement with the Vendor for a further twelve (12) months regarding the arrangements between the Vendor and the Company for supply of raw materials in the form as substantially set out in the Agreement; and
- (l) save as disclosed in the Vendor's Disclosure Letter, each of the Warranties being complied with, true, complete, accurate and correct in all material respects to the best knowledge and belief of the Vendor and the Purchaser as at the date hereof and until the Completion Date.

Completion of the Proposed Acquisition will take place not later than 14 business days after all the Sale Conditions precedent are fulfilled in accordance with the Agreement.

If the Sale Conditions have not been fulfilled or waived by mutual consent on or before 30 August 2017 (the “**Long-Stop Date**”), the Agreement shall lapse and cease to have effect.

4.4. Value of the Sale Shares

(a) Net Asset Value

The net asset value of the Target for the twelve months period from 1 April 2016 to 31 March 2017 based on the financial accounts of the Target is S\$ 1,254,873.

(b) Net Profits

The net profit before tax attributable to the Target for the twelve months period from 1 April 2016 to 31 March 2017 based on the financial accounts of the Target is S\$ 20,766.

4.5. Service Contracts

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

There are no services contracts to be entered into at completion, as the management team of the Target will be kept to continue to manage the business and affairs of the Target.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1. Assumptions

The pro forma financial effects in this section are based on the audited consolidated accounts of the Group for the financial year ended 31 December 2016 and the unaudited financial statements of the Target for the 12 months period ended 31 December 2016 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 2016, the pro forma financial effects on the consolidated net tangible assets (“**NTA**”) for FY2016 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	19,451	20,673
Number of shares	1,059,038,211	1,129,038,211
NTA per share (Singapore cents)	1.84	1.83

5.3. Earnings

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 January 2016, the pro forma financial effects on the earnings per share of the Group for FY2015

are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders after tax from continuing operations (S\$'000)	(143)	(84)
Number of weighted average shares	96,276,201	166,276,201
Earnings per share (Singapore cents)	(0.15)	(0.01)

5.4. Share Capital

The Proposed Acquisition involves the allotment and issuance of the Consideration Shares.

The Consideration Shares represent approximately 5.36% of the existing issued and paid-up share capital of the Company of 1,307,109,961 Shares as at the date of this announcement (excluding treasury shares). Immediately after completion of the Proposed Acquisition and assuming that no further Shares are issued prior thereto, the Proposed Acquisition will increase the number of issued and paid-up Shares to 1,377,109,961 Shares and the Consideration Shares represent approximately 5.08% of the enlarged issued and paid-up share capital of the Company (excluding treasury shares)

5.5. Share Issue Mandate

The Consideration Shares will be allotted and issued pursuant to the Share issue mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 27 April 2017 (the “**Share Issue Mandate**”). As such, no circular will be issued by the Company in connection with the Proposed Acquisition.

Under the Share Issue Mandate, the Board is authorised to issue new Shares, on the basis that the total number of issued Shares and instruments to be issued other than on a pro rata basis to existing shareholders of the Company must be not more than 50% of the total number of issued Shares (excluding treasury shares) as at the time of the passing of the resolution approving the Share Issue Mandate (the “**Relevant Time**”), after adjusting for, amongst others, new Shares arising from the conversion or exercise of any instruments.

The total number of ordinary Shares (excluding treasury shares) in the capital of the Company as at the Relevant Time was 1,307,109,961 Shares. As at the date of this announcement, the Company has not issued any Shares under the Share Issue Mandate, and no event has occurred which would result in any adjustment in the number of Shares on which the Share Issue Mandate is based. As such, the maximum number of Shares that may be issued pursuant to the Share Issue Mandate other than on a pro rata basis to existing shareholders is 653,554,980 new Shares.

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

Based on (i) the audited consolidated financial statements of the Group for the period ended 31 December 2016 (“**FY2016**”) and (ii) the unaudited financial statements of the Target for the twelve months period ended 31 December 2016, 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	14 ⁽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	6.61 ⁽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	6.61 ⁽³⁾
(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 Group had a net loss of S\$1,179,285 for FY2016, whereas the Target had a net loss of S\$166,011 for the same period.
- (2) The market capitalisation was derived from the 1,059,038,211 shares of the Company in issue and the weighted average price of S\$0.03296 per share as at 19 May 2017, being the last traded market day immediately preceding the date of the Agreement. The aggregate value of the Consideration Shares is S\$2,307,200 based on the Weighted Average Price Per Share
- (3) The number of equity securities issued by the Company as Consideration is 70,000,000 and the number of equity securities previously issued is 1,059,038,211.

The Proposed Acquisition is deemed to be a "Discloseable Transaction" as defined under Chapter 10 of the Catalyst Rules and shareholders' approval should not be necessary, however the Company is seeking clarifications with SGX-ST on whether shareholders' approval is needed pursuant to Rule 1007(1).

7. 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.

8. 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.

9. 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.

10. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By order of the Board

AA Group Holdings Ltd.

Yau Woon Foong

Executive Director

19 May 2017

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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