

SGXNET Announcement



AEM Holdings Ltd
(Registration No. 200006417D)

DISPOSAL OF SUBSIDIARY - MICROCIRCUIT TECHNOLOGY (S) PTE. LTD.

1. INTRODUCTION

The Board of Directors of AEM Holdings Ltd (the "**Company**" or "**AEM**") wishes to announce that the Company has entered into a Sale and Purchase Agreement ("**SPA**") to dispose (the "**Proposed Disposal**") of the Company's entire shareholding interest (the "**Sale Shares**") in its 57.73% owned subsidiary, Microcircuit Technology (S) Pte. Ltd. ("**MCT**") to PBT Pte. Ltd. ("**PBT**"), for an aggregate consideration of US\$3 million ("**Purchase Price**"). In this announcement, the Company and its subsidiaries are collectively referred to as the "**Group**".

As the relative figures computed under Rule 1006(a) and Rule 1006(b) of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") exceed 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual. Please see paragraph 6 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting ("**EGM**") to be convened. The Company has written to the SGX to apply for a waiver from this EGM requirement and will update shareholders in due course on the outcome of such application.

2. THE PROPOSED DISPOSAL

2.1 Information on MCT and PBT

The Company holds shares of MCT representing approximately 57.73% of the total number of shares of MCT. The other shareholder of MCT is Siliconware Precision Industries Co., Ltd. ("**SPIL**") which holds shares of MCT representing approximately 42.27% of the total number of shares of MCT.

MCT was incorporated in Singapore, and its principal activities are the design and manufacturing of organic substrates.

PBT is a company incorporated in Singapore in which its principal activities are to engage in research and development, marketing, sales and manufacturing activities in semiconductor assembly and related industries. The Company aspires to be a solution provider that delivers low cost solutions for semiconductor assembly process⁽¹⁾.

Note (1): The brief write-up on PBT Pte Ltd is provided by PBT Pte Ltd.

2.2 Rationale for the Proposed Disposal

MCT has been loss-making since 2008 and its losses amounted to US\$42.9 million (equivalent to S\$56.6 million) from 2008 to 2013 (based on the audited accounts of MCT for these years) and US\$5.1 million (equivalent to S\$6.2 million) in 1HY2014 (based on the management accounts of MCT). MCT recorded an audited loss of US\$7.0 million (equivalent to S\$8.5 million) for FY2013 and had net tangible assets (“NTA”) of US\$26.8 million (equivalent to S\$33.8 million) as at 31 December 2013.

MCT contributed to approximately 120% of the loss of the Group in FY2013 and approximately 188% of the Group’s loss in FY2012, (based on the audited accounts of MCT and the Group for these years). Excluding the losses incurred by MCT, the Group would have reported net profits in FY2013 and FY2012 of S\$563,000 and S\$1.9 million respectively.

Attempts were made to improve the performance of MCT, and MCT has received funding, however, MCT is still loss-making. In 2012, SPIL and the Company injected capital of approximately US\$20.5 million and US\$2 million respectively to invest in plant and equipment to allow MCT to manufacture a new product known as molded interconnect substrates (“MIS”). From 4Q2012 to date, MCT has been focusing its efforts on producing sample products for its customers for qualifications by these customers, hoping to obtain high volume manufacturing (“HVM”) of MIS. Unfortunately, after working with these customers, only 2 products went into HVM but the amount was still insignificant.

As at the date of this announcement, the Group’s businesses comprise of providing (i) customised equipment system solutions; (ii) high precision components and mechanical assemblies; (iii) chemical and plating services; and (iv) laminate substrates and MIS. Although the Proposed Disposal will result in the Group being divested of its manufacturing of laminate substrates and MIS business operations in Singapore, the Proposed Disposal will not have any material effect on the Group’s remaining and future business operations as MCT operates independently and separately from the Group’s other businesses due to the different nature of the business activities and its contribution to the Group’s revenue had been below 20% of the Group’s revenue from 2011 onwards.

Taking into account the above and the current operating conditions and the prospects of the business as currently undertaken by MCT in Singapore, the Board after careful consideration is of the view that the Purchase Price is fair and reasonable and that the Proposed Disposal is in the best interests of the Group.

2.3 Purchase Price for the Proposed Disposal

2.3.1 The aggregate Purchase Price for the Proposed Disposal will be US\$3 million to be payable as follows:

- (a) US\$1,250,000 paid as deposit upon signing of the SPA; and
- (b) US\$1,750,000 to be deposited in escrow upon the signing of the SPA, to be released upon the completion of the Proposed Disposal.

2.3.2 The Purchase Price was arrived at on a willing-buyer and willing-seller basis after arm’s length negotiations taking into account a number of factors including, *inter alia*:

- (a) the NTA value represented by the Sale Shares as at 30 June 2014;
- (b) the past and current loss making conditions of MCT; and
- (c) certain existing liabilities of MCT that remain payable.

2.4 Completion Date

The targeted Completion Date is 24 October 2014 or such other date as AEM and PBT may agree in writing and the long stop date is 31 December 2014.

3 CONDITIONS

The Proposed Disposal is conditional upon, *inter alia*:

- 3.1 the completion of the financial and legal due diligence investigations by PBT and PBT being reasonably satisfied with the findings on all material matters;
- 3.2 SPIL not having exercised its right of first refusal in respect of the transfer of the Sale Shares within the relevant time period and in accordance with clause 6 of the shareholders' agreement entered into between AEM, SPIL and MCT on 27 July 2012 (or having waived such rights);
- 3.3 in relation to the existing term loan facility of MCT with UOB Bank Limited ("**UOB**") guaranteed by AEM (the "**UOB Loan**"), the consent of UOB for the substitution of PBT as the guarantor of the UOB Loan in lieu of AEM, or the full payment of the UOB Loan by PBT;
- 3.4 all necessary consents, approvals or clearances for the transactions contemplated herein being granted by third parties (including the SGX-ST) and other governmental or official authorities) and no statute, regulation or decision which would prohibit restrict or materially delay the sale and purchase of the Sale Shares or the operation of MCT after completion of the Proposed Disposal having been proposed, enacted or taken by any governmental or official authority;
- 3.5 the board of directors and the shareholders (if required) of AEM, and the boards of directors of PBT and MCT, approving the sale and purchase of the Sale Shares in accordance with the SPA; and
- 3.6 the warranties remaining true and accurate and not misleading in any material respect as at the date of completion of the Proposed Disposal and at all times between the date of the SPA and the date of completion of the Proposed Disposal.

4 PROCEEDS FROM PROPOSED DISPOSAL

The estimated net proceeds from the Proposed Disposal, after deducting commission expense payable to an introducer and professional charges of US\$130,000, is US\$2,870,000. The Company intends that the net proceeds raised shall be used for general working capital as the Directors may deem fit in their absolute discretion.

5 FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

For illustration purposes only, the table below sets out the financial effects of the Proposed Disposal on the NTA and earnings per share ("EPS") of the Group.

The pro forma financial effects of the Proposed Disposal on the Group have been prepared based on the Group's unaudited consolidated financial statements for the six (6) months period ended 30 June 2014. These pro forma financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after the completion of the Proposed Disposal. Assuming that the Proposed Disposal had been completed on 30 June 2014, the pro forma financial effects of the Proposed Disposal

on the NTA and EPS per share of the Group as at 30 June 2014 would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Effect on NTA		
Attributable to Owners of the Company (S\$'000)	38,085	25,368
Non-Controlling interests (S\$'000)	12,007	-
Total NTA (S\$'000)	50,093	25,368
Number of shares	443,476,760	443,476,760
NTA per share (Cents)	11.3	5.7
Effect on Basic and Diluted EPS		
Comprehensive loss attributable to Owners of the Company for 1H2014 (S\$'000)	(4,712)	(1,007)
One off loss arising from disposal of MCT (S\$'000)	-	(15,793)
Total comprehensive loss	(4,712)	(16,800)
Number of shares	442,324,650	442,324,650
EPS per share (Cents)	(1.1)	(3.8)

Note: EPS is calculated by dividing the Company's consolidated net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares.

The financial effects of the Proposed Disposal on the Company and the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Company and the Group after the completion of the Proposed Disposal.

6 RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases pursuant to Rule 1006(a) to (e) of the Listing Manual based on the Company's latest announced unaudited consolidated financial statements as at 30 June 2014 are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	33%

(b)	Net loss attributable to the assets disposed of, compared with the Group's net loss ⁽¹⁾	72%
(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	17%
(d)	Number of equity securities issued as consideration for an acquisition, compared with the number of securities previously in issue	Not applicable
(e)	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.	Not applicable

Note:

(1) This was calculated based on the net loss attributable to MCT of S\$3,583,000 (S\$6,208,000 multiplied by 57.73% equity interest) compared with the Group's net loss of S\$5,005,000.

7 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of the Company have, to the best of their knowledge, any connection (including any business relationship) with PBT or its directors or substantial shareholders.

By Order of the Board

Charles Cher Lew Siang
Chief Executive Officer
30 September 2014