

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

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOKO CONSTRUCTION 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 its wholly-owned subsidiary, A2A Management Pte. Ltd. (“**A2A**”) has entered into a conditional Share Sale and Purchase Agreement (“the “**Agreement**”) with Ang Beng Huat (“**ABH**”) on 6 October 2017 to dispose the entire issued and paid-up share capital of Toko Construction Pte. Ltd. (“**Toko**”) on the terms and conditions of the Agreement (the “**Proposed Disposal**”) for a consideration of S\$1,000,000 (the “**Consideration**”).

2. INFORMATION ON TOKO

Toko is a wholly-owned subsidiary held through the Company’s subsidiary, A2A. It is a private company incorporated in Singapore on 10 January 2011. The main business of Toko is building construction and manufacture of furniture of rattan and cane. The directors of Toko are Chew Liang Kwang (“**CLK**”) and Yau Woon Foong. The sole shareholder of Toko is A2A.

Upon completion of the Proposed Disposal (“**Completion**”), Toko will cease to be a subsidiary of A2A and the Company and Yau Woon Foong will be stepping down as director of Toko.

3. INFORMATION ON THE PURCHASER

In respect of the information on ABH, 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.

ANG BENG HUAT

ABH is the business owner of City Wide Pte. Ltd. (“**City Wide**”). City Wide is a company incorporated in 2007, head-quartered in Singapore. Its business activities include providing various installation and maintenance services in air-conditioning for commercial, residential buildings, hotels, government agencies, hospitals and restricted areas facilities. Their portfolio includes Duo Condominium, Singapore General Hospital, Naumi Hotel and SMRT circle line projects.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Board is of the view that it is in the best interests of the Company and the shareholders of the Company (“**Shareholders**”) to dispose of the loss-making asset. The Proposed Disposal is undertaken as part of the restructuring of the Company. It will also allow the Company to further strengthen its financial position and achieve an immediate gain on disposal. Please see Paragraph 7.5 for more details. The Group will also continue to look for

attractive businesses in similar sectors that will complement its current businesses and help to improve the profitability of the Group.

With the Proposed Disposal, the Group will focus on its current businesses of (i) property related business (including the holding and management of property assets and the provision of property related services and facilities) which the Company had diversified into on 10 March 2016 and through the acquisition of Engineering Manufacturing Services (S) Pte Ltd, (“**EMS**”) and (ii) the provision and supply of construction, building, engineering, infrastructure and related solutions, services and products which the Company had diversified into on 10 March 2016 and through the acquisitions of W&P Precast Pte Ltd and W&P Corporation Pte Ltd (collectively to be referred to as “**W&P**”).

5. **USE OF PROCEEDS**

Proceeds from the Proposed Disposal will be used for the working capital of A2A and/or any of its related companies.

6. **PRINCIPAL TERMS OF THE PROPOSED DISPOSAL**

6.1. **Sale and Purchase**

Pursuant to the Agreement, A2A will dispose 100% of the issued and paid-up capital of Toko free from all encumbrances and together with all rights attaching thereto (the “**Sale Shares**”) to ABH for the Consideration.

6.2. **Consideration**

The Consideration for the Agreement shall be received in the following manner:

- (a) repayment by ABH to A2A of the S\$260,183.62 loan owing by Toko to A2A and A2A shall execute a deed of assignment (“**Deed of Assignment**”) to assign the rights and benefits of the loan to ABH;
- (b) ABH shall assume A2A’s obligations under a promissory note with respect to the sum of S\$716,691 payable by A2A to CLK, by executing a deed of novation (“**Deed of Novation**”); and
- (c) cash payment of S\$23,125.38 to be made to A2A.

The Consideration was arrived at following arm’s length negotiations on a willing buyer willing seller basis, and taking into account (i) the net loss of Toko for the 6-month period ended 30 June 2017; and (ii) the negative net asset value of Toko as at 30 June 2017.

6.3. **Completion**

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

- (a) the execution of the Deed of Assignment by A2A and ABH to assign to ABH the rights and benefits of the loan owing from Toko to A2A; and
- (b) the execution of the Deed of Novation by A2A, ABH and CLK such that ABH shall assume the obligations of A2A to repay CLK.

Completion of the Proposed Disposal will take place not later than fourteen (14) business

days after all Sale Conditions have been fulfilled (or such other date as may be agreed in writing between A2A and the ABH).

If the Sale Conditions have not been fulfilled or waived by mutual consent on or before 31 December 2017 (the “**Long-Stop Date**”), the Agreement shall lapse and cease to have effect.

6.4. Value of the Sale Shares

(a) Net Asset Value

The net asset value of Toko for the 6-month period as at 30 June 2017 based on unaudited accounts is negative S\$5,690.

(b) Net Profits/(Loss)

The net loss attributable to Toko for the 6-month period ended 30 June 2017 based on unaudited accounts is S\$116,722.

No valuation on Toko was carried out in connection with the Proposed Disposal.

6.5. Service Contracts

There are no persons proposed to be appointed as directors of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1. Assumptions

The pro forma financial effects in this section are based on (i) the unaudited consolidated accounts of the Group for the 6-month period ended 30 June 2017 and the unaudited financial statements of Toko for the 6-month period ended 30 June 2017, and (ii) the audited consolidated accounts of the Group for the financial year ended 31 December 2016 and the audited financial statements of Toko for the 12-month period ended 31 December 2016. Both are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following Completion.

7.2. Net Tangible Assets

For illustrative purposes and assuming the Proposed Disposal had been completed on 30 June 2017, the pro forma financial effects on the unaudited consolidated net tangible assets (“**NTA**”) for the 6-month period ended 30 June 2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	56,498	57,243
Number of shares	1,319,636,961	1,319,636,961
NTA per share (Singapore cents)	4.28	4.34

For illustrative purposes and assuming the Proposed Disposal had been completed on 31 December 2016, the pro forma financial effects on the audited consolidated NTA for the 12-

month period ended 31 December 2016 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	19,451	20,080
Number of shares	1,059,038,211	1,059,038,211
NTA per share (Singapore cents)	1.84	1.90

7.3. Earnings

For illustrative purposes and assuming the Proposed Disposal had been completed on 1 January 2017, the pro forma financial effects on the earnings per share of the Group for the 6-month period ended 30 June 2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to shareholders after tax from continuing operations (S\$'000)	33,920	34,037
Number of weighted average shares	1,319,636,961	1,319,636,961
Earnings per share (Singapore cents)	2.57	2.58

For illustrative purposes and assuming the Proposed Disposal had been completed on 1 January 2016, the pro forma financial effects on the earnings per share of the Group for the 12-month period ended 31 December 2016 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to shareholders after tax from continuing operations (S\$'000)	1,218	969
Number of weighted average shares	205,441,839	205,441,839
Loss per share (Singapore cents)	0.59	0.47

7.4. Share Capital

The Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company.

7.5. Gain on Disposal

The Group is expected to record a gain on disposal attributable to the Proposed Disposal of approximately S\$1,005,690 which is derived as follows:

	S\$
Total Purchase Consideration	1,000,000
Less	
Net asset value of the assets to be disposed as at 30 June 2016	(5,690)
Gain on Disposal	1,005,690

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

Based on (i) the unaudited consolidated accounts of the Group for the 6-month period ended 30 June 2017 and (ii) the unaudited accounts of Toko for the 6-month period ended 30 June 2017, the relative figures for the Proposed Disposal 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 meaningful ⁽¹⁾
(b)	The net profits attributable to the assets disposed, compared with the Group's net profits	Not meaningful ⁽²⁾
(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	1.69%
(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) Not meaningful as the unaudited net liability value of Toko is S\$5,690 and the Group's unaudited net asset value is S\$56,497,196.
- (2) Not meaningful as the Group had a profit of S\$33,920,000 whereas Toko had a loss of S\$116,562
- (3) The market capitalisation was derived from the 1,421,018,461 shares of the Company in issue and the weighted average price of S\$0.0417 per share as at 6 October 2017, being the last traded market day immediately preceding the date of the Agreement.

Based on the Relative Figures above, the Proposed Disposal does not require the approval of Shareholders.

9. **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 Disposal.

10. **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.

11. **DOCUMENTS FOR INSPECTION**

A copy of the Agreement, Deed of Assignment and Deed of Novation 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.

12. **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 Disposal 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
6 October 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. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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