

SGXNET Announcement



AEM Holdings Ltd
(Registration No. 200006417D)

DISPOSAL OF PLATING BUSINESS

1. INTRODUCTION

The Board of Directors of AEM Holdings Ltd (the "**Company**" or "**AEM**") announces that the Company has entered into a Sale and Purchase Agreement ("**SPA**") to dispose (the "**Proposed Disposal**") of the Company's plating business (the "**Plating Business**") in its wholly owned subsidiary, AEM (Suzhou) Co. Ltd. ("**ASZ**") to Jiangsu Yunyi Electric Co., Ltd ("**YUNYI**"), for an aggregate consideration of RMB 6,630,000 ("**Purchase Price**"). In this announcement, the Company and its subsidiaries are collectively referred to as the "**Group**", and the sale transaction is referred to as the "**Plating Business Sale**".

As the relative figures computed under Rule 1006(a) and Rule 1006(c) of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") exceed 5% but less than 20%, the Proposed Disposal is considered a disclosable 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.

2. THE PROPOSED DISPOSAL

2.1 Information on ASZ and YUNYI

ASZ is a wholly owned subsidiary of the Company and was incorporated in the Republic of China with principal activities of providing precision engineering services, equipment manufacturing and plating services.

YUNYI is a company incorporated in the Republic of China and listed on the stock exchange of Shenzhen. Its principal activities are in research, development, manufacture and distribution of automotive electronic products.

2.2 Rationale for the Proposed Disposal

The Company has determined that the Plating Business is unlikely to achieve significant enough scale to deliver shareholder value at AEM. The Plating Business contributed approximately 2% of the Group's total revenue in 9M2015 (based on the latest announced unaudited consolidated financial statements of the Company), but recorded a net loss of S\$796,000 during this period. The Group recorded an unaudited net profit after tax of S\$1,220,000 in 9M2015, but would have reported a net profit in 9M2015 of S\$2,016,000 excluding the Plating Business.

As a result of these considerations, AEM has determined that it would be in the interest of shareholders to divest the Plating Business to remove its unprofitable dilution to earnings, allow management to focus on its core businesses, and free up unproductive capital.

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 and (iii) plating services. The Proposed Disposal should not have any material negative effect on the Group's remaining and future business operations, as the Plating Business already operates substantially independently from the Group's other businesses.

2.3 Purchase Price for the Proposed Disposal

2.3.1 The aggregate Purchase Price for the Proposed Disposal will be RMB6,630,000 (equivalent to S\$1,441,000) payable in stages as follows:

- (a) RMB1,989,000 paid as deposit upon signing of the SPA;
- (b) RMB2,652,000 upon transfer of the plating equipment and facilities to the Purchaser; and
- (c) RMB1,989,000 upon the completion of the Proposed Disposal subject to the necessary approvals by the various authorities of the Republic of China.

2.3.2 The Purchase Price was based on a willing buyer willing seller basis taking into consideration the net book value and age of the equipment, facilities and inventory of the plating division.

2.3.3 Taking into account the above and the prospects of the plating business, 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 interest of the Group.

2.4 Completion Date

The targeted Completion Date is 4 months from the date of signing of the SPA.

3 CONDITIONS

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

- 3.1 the completion of the financial and legal due diligence by YUNYI and YUNYI being reasonably satisfied with the findings on all material matters;
- 3.2 all necessary consents, approvals or clearances for the transactions by governmental or official authorities of the Plating Business Sale;
- 3.3 the board of directors of AEM and the board of directors of YUNYI approving the sale and purchase of the Plating Business Sale in accordance with the SPA; and
- 3.4 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 proceeds from the Proposed Disposal, after deducting estimated miscellaneous and professional charges of RMB50,000, is RMB6,580,000. 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 nine (9) months period ended 30 September 2015. 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 September 2015, the pro forma financial effects of the Proposed Disposal on the NTA and EPS per share of the Group as at 30 September 2015 would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Effect on NTA		
Attributable to Owners of the Company (S\$'000)	19,496	19,625
Number of shares	44,076,029	44,076,029
NTA per share (Cents)	44.2	44.5
Effect on Basic and Diluted EPS		
Net profit after tax of the Company for 9M2015 (S\$'000)	1,220	2,015
One off gain arising from disposal of the plating business (S\$'000)	-	129
Net profit after tax	1,220	2,144
Number of shares	44,512,127	44,512,127
EPS per share (Cents)	2.8	4.8

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 September 2015 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	7%
(b)	Net loss attributable to the assets disposed of, compared with the Group's net profit	- 65%
(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	12%
(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

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 YUNYI or its directors or substantial shareholders.

By Order of the Board

Charles Cher Lew Siang
Chief Executive Officer
2 February 2016