

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

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF POH HUAT HENG CORPORATION 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 Agreement (“the “**Agreement**”) with the shareholders of Poh Huat Heng Corporation Pte. Ltd. (the “**Target**”) namely Ng Chuan Heng, Teo Siew Cheng, Tan Poh Guan, Tan Zhen Ying (Chen Zhenying) and Tan Jun Hao (each shareholder a “**Vendor**” and collectively, the “**Vendors**”) on 24 September 2018 to acquire the entire issued and paid-up share capital of the Target on the terms and conditions of the Agreement (the “**Proposed Acquisition**”) for an aggregate consideration of S\$9,000,000 (the “**Consideration**”).

2. INFORMATION ON THE TARGET

The Target is a private company incorporated in Singapore on 26 December 1989 and is in the business of providing underground cable installation and road reinstatement services (the “**Business**”). The directors of the Target are Tan Poh Guan, Tan Jun Hao and Ng Chuan Heng. The Vendor’s shareholdings in the Target are as follows:

Name of Vendor	No. of shares in the capital of the Target	%
Ng Chuan Heng	990,000	49.500
Teo Siew Cheng	247,500	12.375
Tan Poh Guan	267,500	13.375
Tan Zhen Ying (Chen Zhenying)	247,500	12.375
Tan Jun Hao	247,500	12.375
Total	2,000,000	100.00

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Company has been actively diversifying its businesses based on the diversification of business mandate approved at the Extraordinary General Meeting of the Company held on 10 March 2016. With the direction set, the Company has been pursuing a strategy of acquiring businesses with potential in those sectors.

This Target will add a new revenue stream to the Group and will help diversify the Group’s business further. The Target will also provide synergistic and complementary effect to the Company’s earlier acquisitions, namely W&P Precast Pte Ltd (“**W&P Precast**”) and W&P Corporation Pte Ltd. (“**W&P Corporation**”). This is achieved through W&P Precast and W&P Corporation supplying concrete, cement, precast and related products to the Target, and with the Target supplying related services to both W&P Precast and W&P Corporation. Hence, 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”)

4. **PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

4.1. **Sale and Purchase**

Pursuant to the Agreement, the Company will acquire all the 2,000,000 fully paid-up 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 the Company.

4.2. **Consideration**

The aggregate consideration for the sale and purchase of the Sale Shares shall be paid in the following manner:

- (a) the issue and allotment of an aggregate of 350,000,000 new shares (the “Consideration Shares”) in the capital of the Company at the issue price of S\$0.02 (the “Issue Price”) to the Vendor in proportion to their current shareholding in the Target as set out in the table below; and
- (b) the payment of an aggregate of S\$2,000,000 cash (the “Cash Consideration”) to the Vendors in the amounts as set out in the table below:

Name of Vendor	Relevant proportion in the Target	Number of Consideration Shares	Value of Consideration Shares at the Issue Price per Consideration Share	Amount of Cash Consideration	Percentage of Shares based on enlarged share capital of the Company ⁽¹⁾
Ng Chuan Heng	49.50%	173,250,000	S\$3,465,000	S\$990,000	12.14%
Teo Siew Cheng	12.38%	43,312,500	S\$866,250	S\$247,500	3.03%
Tan Poh Guan	13.38%	46,812,500	S\$936,250	S\$267,500	3.38%
Tan Zhen Ying (Chen Zhenying)	12.38%	43,312,500	S\$866,250	S\$247,500	3.03%
Tan Jun Hao	12.38%	43,312,500	S\$866,250	S\$247,500	3.03%
Total	100.00%	350,000,000	S\$7,000,000	S\$2,000,000	24.61%

Notes:

⁽¹⁾ The enlarged share capital of the Company will be 1,778,934,461 post-completion of the Proposed Acquisition, assuming no further shares are issued prior to Completion.

Based on the Vendor’s current shareholding in the Target, Ng Chuan Heng will be allotted 173,250,000 of the Consideration Shares, Tan Poh Guan will be allotted 46,812,500, Teo Siew Cheng, Tan Zhen Ying (Chen Zhenying) and Tan Jun Hao will be allotted 43,312,500 of the Consideration Shares each. Based on the Issue Price of S\$0.02 per Consideration Share, this represents a premium of approximately 6.38% of the weighted average price of S\$0.0188 per ordinary share in the capital of the Company (“Share(s)”) for trades done on Catalist of the SGX-ST (“Catalist”) on 24 September 2018 (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, 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 Cash Consideration will be drawn from the Company's subsidiary, Engineering Manufacturing Services (S) Pte. Ltd., through cash dividends issued to the Company for this Proposed Acquisition.

The Consideration was arrived at following arm's length negotiations on a willing buyer willing seller basis, and taking into account:

- (i) the net asset value of the Target as at 31 March 2018; and
- (ii) the net profit of the Target for the 12 months period from 1 April 2017 to 31 March 2018.

The 2018 financial year of the Target is from 1 April 2017 to 31 March 2018. The Company has conducted financial and legal due diligence on the Target. No formal valuation was commissioned for the purposes of this Proposed Acquisition.

The Vendors are not persons 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**"). There is a moratorium imposed on the Consideration Shares for a period of six (6) months from the date of completion.

The Company will be making an application to the SGX—ST via the Company's Sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for the listing and quotation of the Consideration Shares on the Catalist. The Company will make the necessary announcement in due course upon obtaining the receipt of the listing and quotation notice from the SGX-ST.

4.3. Conditions Precedents

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

- (a) the appointments of each of Tan Poh Guan and Ng Chuan Heng as Executive Director and Non-Executive Non-Independent Chairman of the Company respectively;
- (b) the entry into new service agreements between the Target and each of Tan Poh Guan and Ng Chuan Heng for an initial term of two (2) years commencing on the Completion Date (as defined below), upon terms and conditions mutually acceptable to the parties;
- (c) the fulfilment of all necessary requirements under the Catalist Rules and the receipt of 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 and purchase of the Sale Shares, and the aforesaid consents or approvals not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the Company, and to the extent that any conditions are required to be fulfilled on or before Completion, such conditions are so fulfilled;
- (d) the receipt of approvals of the respective boards of directors of the Company and the Target for the transactions stated in the Agreement, and the aforesaid approvals not having been withdrawn or revoked;
- (e) the approval by the shareholders of the Company at an extraordinary general meeting to be convened for the transactions stated in the Agreement and if such approval is obtained subject to any conditions, such conditions being acceptable to the Company, and to the extent that any conditions are required to be fulfilled on or before Completion, such conditions are so fulfilled;

- (f) the receipt of the listing and quotation notice from the SGX-ST for the listing of the Consideration Shares and where such listing and quotation notice is obtained subject to conditions, such conditions being acceptable to the Company and the Vendors;
- (g) the Company having completed its legal and financial due diligence in respect of the Target and its Business, including, *inter alia*, its affairs, operations, assets and liabilities, prospects and records of the Target and being satisfied with the same (as determined in its sole and absolute discretion);
- (h) the receipt by the Company of the disclosure letter from the Vendors, delivered to the Company on or after the signing of the Agreement but prior to the Completion Date and which discloses information relating to the respective warranties, and the Company being satisfied in its sole and absolute discretion with the contents thereof of the disclosure letter;
- (i) none of the Company, the Vendors or the Target having received, on or prior to the Completion, notice of any directive, injunction or other order, which restrains or prohibits the consummation, carrying out or undertaking of the transactions stated in the Agreement and there being no action, on or prior to the Completion, seeking to restrain or prohibit the consummation, carrying out or undertaking thereof, or seeking damages in connection therewith, which is pending or any such directive, injunction or other order or action which is threatened;
- (j) all of the warranties being true and accurate in all respects at Completion, as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (k) no material adverse change (as determined by the Company in its sole discretion) in the business, prospects, financial condition, financial performance or operation of the Target occurring on or prior to Completion;
- (l) each of the Vendors and the Company having fulfilled in all material respects all of their obligations under the Agreement required to be fulfilled on or prior to the Completion Date; and
- (m) the Target having complied in all respects with all applicable laws, rules, regulations and orders of all relevant government or any governmental, semi-governmental, administrative, fiscal or judicial body, department commission, authority, tribunal, agency or entity, as of the date of the Agreement and up to Completion.

Completion of the Proposed Acquisition shall take place on a business day falling no later than one (1) month after all the Sale Conditions precedent are fulfilled or waived in accordance with the Agreement (“**Completion Date**”).

If any of the Sale Conditions has not been fulfilled or waived by mutual consent on or before 31 January 2019 (the “**Long-Stop Date**”), the Agreement shall be deemed to be terminated and cease to have effect.

4.4. Value of the Sale Shares

(a) Net Asset Value

The net asset value of the Target as at 31 March 2018 based on the financial accounts of the Target is S\$4,972,784.07.

(b) Net Profits

The net profit before tax attributable to the Target for the twelve (12) months period from 1 April 2017 to 31 March 2018 based on the financial accounts of the Target is

S\$3,614,516.71.

4.5. Service Contracts

Upon Completion of the Proposed Acquisition, Ng Chuan Heng will be appointed to the Company as the Non-Executive Non-Independent Chairman and Tan Poh Guan will be appointed as an Executive Director.

Additionally, service agreements between the Target and each of Ng Chuan Heng and Tan Poh Guan will be entered into for an initial period of two (2) years and renewable thereafter.

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 2017 (“FY2017”) and the unaudited financial statements of the Target for the twelve (12) months period from 1 April 2017 to 31 March 2018 and are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following Completion.

The fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered for the purpose of computing the financial effects of the Proposed Acquisition and will be determined on the Completion Date of the Proposed Acquisition. Any goodwill arising from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Group.

5.2. Net Tangible Assets

For illustrative purposes and assuming the Proposed Acquisition had been completed on 31 December 2017, the pro forma financial effects on the consolidated net tangible assets (“NTA”) for FY2017 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	55,079	67,290
Number of Shares	1,423,018,461	1,773,018,461
NTA per Share (Singapore cents)	3.87	3.80

5.3. Earnings

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 January 2017, the pro forma financial effects on the earnings per Share (“EPS”) of the Group for FY2017 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
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Net profit attributable to shareholders after tax from continuing operations (S\$'000)	34,735	45,485
Number of weighted average Shares	1,059,038,211	1,409,038,211
EPS (Singapore cents)	3.28	3.23

5.4. Share Capital

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

The Consideration Shares represent approximately 24.49 % of the existing issued and paid-up share capital of the Company of 1,428,934,461 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 1,778,934,461 Shares and the Consideration Shares represent approximately 19.67 % of the enlarged issued and paid-up share capital of the Company (excluding treasury shares). The Company will be seeking shareholders' approval for the allotment and issuance of the Consideration Shares at an Extraordinary General Meeting (the "EGM") to be convened.

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 (6) months period ended 30 June 2018 ("1H2018") and (ii) the unaudited financial statements of the Target for the six (6) months period ended 30 June 2018, 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	Not Meaningful ⁽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	33.5 % ⁽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	24.49 % ⁽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) Not meaningful as the Group had a net loss of S\$368,000 for 1H2018, whereas the Target had a net profit of S\$98,048 for the same period.
- (2) The market capitalisation was derived from the 1,428,934,461 shares of the Company in issue and the weighted average price of S\$0.0188 per share as at 24 September 2018, being the last traded market day immediately preceding the date of the Agreement.
- (3) The number of equity securities issued by the Company as Consideration is 350,000,000 and the number of equity securities previously issued is 1,428,934,461 as at the date of this announcement.

As the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 75%, the Proposed Acquisition is deemed to be a “Discloseable Transaction” as defined under Chapter 10 of the Catalist Rules and shareholders’ approval should not be necessary. Notwithstanding that, the Company will be seeking shareholders’ approval for the Proposed Acquisition at an EGM.

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 relation to the Proposed Acquisition.

8. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

A circular containing further details on, inter alia, the Proposed Acquisition and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

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 and the due diligence reports 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.

11. 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.

Lai Choong Hon

Executive Director

24 September 2018

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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