

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
ENGINEERING MANUFACTURING SERVICES (S) 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**”) refers to the announcement made on 6 January 2017 and 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. (“**PHH**”) on 23 January 2017 to acquire the entire issued and paid-up share capital of Engineering Manufacturing Services (S) Pte Ltd (the “**Target**” and together with its subsidiary, the “**Target Group**”) on the terms and conditions of the Agreement (the “**Proposed Acquisition**”) for an aggregate consideration of S\$25,000,000 (the “**Consideration**”).

2. INFORMATION ON PHH AND THE TARGET

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

PHH is a private company incorporated in Singapore with limited liability and is principally engaged in the business of underground cable installation, road reinstatement services and other related activities. PHH is the holding company of the Target Group. The directors of PHH are Tan Poh Guan, Tan Jun Hao and Ng Chuan Heng and the shareholders of PHH are Ng Chuan Heng, Teo Siew Cheng, Tan Poh Guan, Tan Zhen Ying and Tan Jun Hao.

2.2. The Target Group

The Target and its subsidiary, Germaxco Pte. Ltd, are both private companies incorporated in Singapore with limited liability. The Target Group is principally engaged in the business of providing one-stop high value-added general warehousing and logistics services, industrial and office space for engineering, manufacturing and industrial training and workers’ dormitory facilities. The directors of the Target are Tan Poh Guan, Tan Jun Hao and Ng Chuan Heng.

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 Group is financially strong and profitable which will be able to provide consistent returns to the Group.

The Proposed Acquisition presents a good opportunity for the Company to diversify its business and revenue stream.

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

4.1. **Sale and Purchase**

Pursuant to the Agreement, the Company will acquire all the 6,500,100 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) issuance of 3 years redeemable, transferable, zero coupon bond by the Company to PHH in the principal amount of S\$7,000,000 at Completion;
- (b) novation to the Company of the S\$11,000,000 debt (the “**Debt**”) owing by PHH to the Target; and
- (c) cash payment of S\$7,000,000 to PHH (or its nominee) within 1 month from Completion (or such other date as the Company and PHH may agree in writing).

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 nine months period ended 31 December 2016 based on management accounts; and (ii) the net asset value of the Target for the nine months period ended 31 December 2016 and the potential fair value adjustments on the net asset value of the Target (including the potential net asset value if the valuation of the property is fully taken into account).

The Consideration will be funded by internal resources.

4.3. **Completion**

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

- (a) the Company 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 Company and/or its advisers on the Target, 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 PHH procuring the Target to regularise and/or resolve any issues raised under the said due diligence;
- (b) the receipt of approvals of the respective board of directors of the Company and the Target for the transfer of the Sale Shares;
- (c) the appointment of such directors nominated by the Company to form part of the Target’s board of directors;
- (d) there being no adverse change (as determined by the Company in its sole and absolute discretion) in the global economy and the prospects, operations or financial condition

of the Target occurring on or before Completion;

- (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 the 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 Company unable to purchase all or any of the Sale Shares in the manner set out in the Agreement; and/or
 - (iii) render PHH unable to dispose of all or any of their Sale Shares in the manner set out in the Agreement;
- (f) PHH obtaining the written consent of United Overseas Bank Limited for (i) the sale of the Sale Shares by PHH to the Company for the Consideration; and (ii) the Target entering into all its existing sub-tenancy agreements, and where such approval is subject to conditions, such conditions being acceptable to PHH and the Company;
- (g) PHH undertaking to continue as guarantors of all existing loans obtained by the Company from United Overseas Bank Limited and procuring the undertaking of Mr Tan Poh Guan, Mr Tan Jun Hao and Mr Ng Chuan Heng to continue as guarantors of all existing loans obtained by the Company from United Overseas Bank Limited;
- (h) the execution of a S\$8,000,000 loan agreement between the Target and PHH on the back of the loan from United Overseas Bank Limited, and the novation agreement with respect to the Debt; and
- (i) save as disclosed in PHH's disclosure letter, each of the warranties of PHH and the Company being complied with, true, complete, accurate and correct in all material respects to the best knowledge and belief of PHH and the Company as at the date hereof and until Completion.

Completion of the Proposed Acquisition will take place not later than 21 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 31 May 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 nine months period ended 31 December 2016 based on management accounts of the Target is S\$8,234,158.65.

(b) Net Profits

The net profit before tax attributable to the Target for the nine months period ended 31 December 2016 based on management accounts of the Target is \$4,386,958.90

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 2015 and the unaudited financial statements of the Target for the 12 months period ended 31 December 2015 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 2015, the pro forma financial effects on the consolidated net tangible assets (“NTA”) for FY2015 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	11,324	(5,931)
Number of shares	96,276,201	96,276,201
NTA per share (Singapore cents)	11.76	(6.16)

5.3. **Earnings**

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 January 2015, 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)	4,753
Number of weighted average shares	96,276,201	96,276,201
Earnings per share (Singapore cents)	(0.15)	4.94

5.4. Share Capital

The Proposed Acquisition will not have any effect on the share capital and shareholding structure of the Company as it does not involve the allotment and issuance of any new shares in the Company and the Consideration is satisfied wholly in cash.

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 months period ended 30 June 2016 (“1H2016”) and (ii) the unaudited financial statements of the Target for the six months period ended 30 June 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	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	45.07% ⁽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	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 Group had a net loss of S\$284,000 for 1H2016, whereas the Target had a net profit of S\$2,641,553 for the same period.
- (2) The market capitalisation was derived from the 1,190,818,811 shares of the Company in issue and the weighted average price of S\$0.04658 per share as at 20 January 2017, being the last traded market day immediately preceding the date of the Agreement.

As the Proposed Acquisition is an acquisition of a profitable asset, it is deemed to be a “Discloseable Transaction” as defined under Chapter 10 of the Catalist Rules.

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

23 January 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.

The contact person for the Sponsor is Mr Bernard Lui

Telephone number: 6389 3000

Email address: bernard.lui@morganlewis.com