

CIRCULAR DATED 31 OCTOBER 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your issued and fully paid-up ordinary shares in the capital of AA Group Holdings Ltd (the “**Company**”), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

This Circular 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 Circular. SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. The contact person for the Sponsor is Mr Bernard Lui, Tel: 6389 3000 or email bernard.lui@morganlewis.com



AA GROUP HOLDINGS LTD

(Company Registration No.: 200412064D)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS CUM WARRANTS ISSUE OF UP TO 962,762,010 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY WITH UP TO 962,762,010 FREE DETACHABLE UNLISTED WARRANTS, ON THE BASIS OF TEN (10) RIGHTS SHARES FOR EVERY ONE (1) EXISTING ORDINARY SHARE IN THE CAPITAL OF THE COMPANY HELD AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED, AND ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	13 November 2016, 10.30 a.m.
Date and time of Extraordinary General Meeting	:	15 November 2016, 10.30 a.m.
Place of Extraordinary General Meeting	:	308 Tanglin Road, Level 2 Phoenix Park, Singapore 247974

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DEFINITIONS

The following definitions apply throughout in this Circular except where the context otherwise requires:

“Act” or “Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Announcement”	:	The announcement released by the Company on 28 June 2016 in relation to the Rights cum Warrants Issue
“ARE”	:	The application and acceptance form for Rights Shares with Warrants and excess Rights Shares with Warrants to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue
“ARS”	:	The application and acceptance form for Rights Shares with Warrants to be issued to purchasers of the provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue traded on Catalist through the book-entry (scripless) settlement system
“ATM”	:	Automated teller machine of a Participating Bank
“Authority”	:	The Monetary Authority of Singapore
“Board of Directors” or “Board”	:	The board of Directors of the Company for the time being
“Books Closure Date”	:	The time and date, to be determined by the Directors, at and on which the Share Transfer Books and Register of Members of the Company will be closed to determine the provisional allotments of Rights of the Entitled Shareholders under the Rights cum Warrants Issue
“Business Day”	:	A day (other than a Saturday, Sunday or public holiday) on which banks, the SGX-ST, CDP and the Share Registrar are open for business in Singapore
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The SGX-ST’s Listing Manual – Section B: Rules of Catalist, as may be amended, varied or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 31 October 2016
“Closing Date”	:	The time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment, and renunciation and payment of, the Rights Shares with Warrants under the Rights cum Warrants Issue
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Company”	:	AA Group Holdings Ltd
“CPF”	:	Central Provident Fund

DEFINITIONS

- “CPF Approved Bank”** : Any bank appointed by the CPF Board to be a bank for the purposes of the CPF Regulations
- “CPF Board”** : The board of the CPF established pursuant to the Central Provident Fund Act, Chapter 36 of Singapore, as may be amended, modified or supplemented from time to time
- “CPF Investment Account”** : An account opened by a member of CPF with a CPF Approved Bank from which money may be withdrawn for, *inter alia*, payment of the Issue Price for the Rights Shares and (if applicable excess Rights Shares) and Exercise Price arising from the exercise of each Warrant
- “CPFIS”** : CPF Investment Scheme
- “Deed Poll”** : The deed poll to be executed by the Company constituting the Warrants and containing, *inter alia*, provisions for the protection of the rights and interests of the Warrantholders
- “Director”** : A director of the Company for the time being
- “EGM”** : The extraordinary general meeting of the Company, notice of which is set out on pages 32 to 35 of the Circular
- “Entitled Depositors”** : Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who had, at least five (5) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
- “Entitled Scripholders”** : Shareholders whose (i) share certificates are not deposited with CDP, (ii) Shares are registered in their own names and (iii) registered addresses are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure Date, provided the Company with addresses in Singapore for the service of notices and documents
- “Entitled Shareholders”** : Entitled Depositors and Entitled Scripholders
- “Entitled Warrantholders”** : Warrantholders with the relevant Warrants standing to the credit of their Securities Accounts/in the Company’s Register of Warrantholders and whose registered addresses with CDP are in Singapore as at the Closing Date
- “Excess Applications”** : Excess applications by Entitled Shareholders of the Rights Shares with Warrants in excess of their provisional allotments of Rights Shares with Warrants
- “Exercise Period”** : The period during which the Warrants may be exercised, commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the Warrants shall expire on the date prior to closure of the Register of Members of the Company or on the immediately preceding Market Day, as the case may be (but excluding such

DEFINITIONS

- period(s) during which the Register of Warrantholders may be closed), subject to the terms and conditions of the Warrants to be set out in the Deed Poll. The right to exercise the Warrants will not be extended beyond the Exercise Period
- “Exercise Price”** : The price payable in respect of each Warrant Share upon the exercise of a Warrant shall be S\$0.012, subject to certain adjustments in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll
- “Existing Share Capital”** : The existing issued and paid-up share capital of the Company of 96,276,201 Shares (excluding treasury shares) as at the Latest Practicable Date
- “Foreign Purchasers”** : Persons purchasing the Rights through the book-entry (scripless) settlement system whose registered addresses with CDP are outside Singapore
- “Foreign Shareholders”** : Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) Market Days prior to the Books Closure Date, provided to the Company, the Share Registrar or CDP, as the case may be, addresses in Singapore for the service of notices and documents
- “FY”** : Financial year ended 31 December
- “Group”** : The Company and its subsidiaries
- “Issue Price”** : The issue price of the Rights Shares, being S\$0.01 for each Rights Share
- “Latest Practicable Date”** : 24 October 2016, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The listing manual of the SGX-ST, as may be amended, varied or supplemented from time to time
- “Market Day”** : A day on which the SGX-ST is open for trading in securities
- “Maximum Subscription Scenario”** : Based on the Existing Share Capital and assuming that all of the Entitled Shareholders subscribe and pay for their pro rata entitlements of Rights Shares with Warrants
- “Notice of EGM”** : The notice of EGM set out on pages 32 to 35 of this Circular
- “Offer Information Statement”** : The offer information statement referred to in Section 277 of the Securities and Futures Act and, together with the PAL, the ARE, the ARS and all accompanying documents including any supplementary or replacement document, to be issued by the Company in connection with the Rights cum Warrants Issue
- “Participating Banks”** : The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors for acceptances of the Rights Shares with Warrants and/or Excess Applications

DEFINITIONS

“Provisional Allotment Letter” or “PAL”	:	The provisional allotment letter to be issued to Entitled Scripholders, setting out the provisional allotment of Rights Shares under the Rights cum Warrants Issue
“Purchaser”	:	A purchaser of the Rights
“Record Date”	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
“Register of Members”	:	Register of members of the Company
“Rights”	:	Rights to subscribe for ten (10) Rights Shares with Warrants for every one (1) Share held by Shareholders as at the Books Closure Date
“Rights cum Warrants Issue”	:	The renounceable non-underwritten rights issue by the Company of up to 962,762,010 Rights Shares at an issue price of S\$0.01 for each Rights Share with up to 962,762,010 free detachable unlisted Warrants, each Warrant carrying the right to subscribe for one (1) Warrant Share at an exercise price of S\$0.012 for each Warrant Share, on the basis of ten (10) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date, and one (1) Warrant for every one (1) Rights Share subscribed, fractional entitlements to be disregarded
“Rights Share(s)”	:	Up to 962,762,010 new Shares to be allotted and issued by the Company pursuant to the Rights cum Warrants Issue
“Rights Trading Period”	:	The trading period of the Rights on a “nil-paid” basis
“Securities Account”	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“Securities and Futures Act” or “SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as may be amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”, “Warrant Agent” or “Warrant Registrar”	:	Boardroom Corporate & Advisory Services Pte Ltd
“Share Transfer Books”	:	The share transfer books of the Company
“Shareholders”	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons to whose securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Sponsor”	:	Stamford Corporate Services Pte Ltd

DEFINITIONS

- “Subsidiaries”** : Has the meaning ascribed to it in Section 5 of the Companies Act and **“Subsidiary”** shall be construed accordingly
- “Substantial Shareholder”** : A person who has an interest in voting shares of the Company the total votes attached to which is not less than 5% of the total votes attached to all the voting shares in the Company
- “S\$” and “cents”** : Singapore dollars and cents, being the lawful currency of the Republic of Singapore
- “Warrantholders”** : Registered holders of the Warrants, except where the registered holder is CDP, the term **“Warrantholders”** shall, in relation to such Warrants and where the context admits, mean the Entitled Depositors whose Securities Accounts are credited with such Warrants
- “Warrant(s)”** : Up to 962,762,010 free detachable unlisted warrants in registered form, to be allotted and issued by the Company together with the Rights Shares pursuant to the Rights cum Warrants Issue, and where the context so admits, such additional warrants as may be required or permitted to be allotted and issued by the Company pursuant to the terms and conditions of the warrants to be set out in the Deed Poll (any such additional warrants to rank *pari passu* with the warrants to be issued together with the Rights Shares and for all purposes to form part of the same series of warrants constituted by the Deed Poll), subject to the terms and conditions to be set out in the Deed Poll, each warrant entitling the holder thereof to subscribe for one (1) Warrant Share at the Exercise Price
- “Warrant Share(s)”** : Up to 962,762,010 new ordinary shares of the Company to be issued by the Company, credited as fully paid, upon the exercise of the Warrants, subject to and in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll
- “Warrant Agency Agreement”** : The warrant agency agreement to be executed by the Company, the Warrant Agent and the Warrant Registrar, pursuant to which the Warrant Agent is appointed by the Company to act in connection with the Warrants upon the terms and conditions set out therein, and includes any other agreement (whether made pursuant to the terms of the Warrant Agency Agreement or otherwise) appointing further or other Warrant Agents or amending or modifying the terms of any such appointment
- “%” or “percent”** : Percentage or per centum

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them, respectively, in the SFA.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Catalist Rules or any modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Catalist Rules or any modification thereof, as the case may be, unless otherwise provided.

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Any reference to date and time of day in this Circular shall be a reference to Singapore date and time, unless otherwise stated.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

AA GROUP HOLDINGS LTD

(Company Registration No.: 200412064D)

(Incorporated in the Republic of Singapore)

Board of Directors:

Hsieh Kuo Chuan @ Jaimes Hsieh (Executive Chairman)

Yau Woon Foong (Executive Director)

Tan See Leng (Lead Independent Director)

Amelia Vincent (Independent Director)

Ng Ser Chiang (Independent Director)

Registered Office:

6 Mohamed Sultan Road

#03-01

Singapore 238956

31 October 2016

To: The Shareholders of the Company

Dear Sir/Madam,

THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS CUM WARRANTS ISSUE OF UP TO 962,762,010 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY WITH UP TO 962,762,010 FREE DETACHABLE UNLISTED WARRANTS ON THE BASIS OF TEN (10) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE IN THE CAPITAL OF THE COMPANY HELD AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED, AND ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED

1. INTRODUCTION

1.1 Rights cum Warrants Issue

On 28 June 2016, the Company announced the Rights cum Warrants Issue, subject to, *inter alia*, (a) the receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the Rights Shares and the Warrant Shares on Catalist; (b) the issue and allotment of the Rights Shares with Warrants and the Warrant Shares having been approved by Shareholders at the EGM; and (c) the lodgment of the Offer Information Statement in respect of the Rights cum Warrants Issue with the SGX-ST (acting as agent of the Authority).

On 3 October 2016, the Company received the listing and quotation notice from the SGX-ST for the listing and quotation of the Rights Shares and the Warrant Shares on Catalist subject to:

- (a) compliance with the listing requirements of the SGX-ST;
- (b) submission of paragraph 2 of Appendix 8B Part I of the Catalist Rules upon lodgment of the Offer Information Statement; and
- (c) Shareholders' approval being obtained for the Rights cum Warrants Issue at the EGM.

The listing and quotation notice of the SGX-ST for the listing and quotation of the Rights Shares and the Warrant Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the Warrant Shares, the Company, its Subsidiaries and their securities. The Sponsor and the SGX-ST assume no responsibility for the correctness of the statements made or reports contained, or opinions expressed, in this Circular.

1.2 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to the above and to seek Shareholders' approval for the resolutions set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

2. THE RIGHTS CUM WARRANTS ISSUE

2.1 Basis of the Rights cum Warrants Issue

The Company is offering to Entitled Shareholders up to 962,762,010 Rights Shares at an issue price of S\$0.01 per Rights Share (the “**Issue Price**”) and up to 962,762,010 Warrants with each Warrant carrying the right to subscribe for one (1) Warrant Share at the exercise price of S\$0.012 per Warrant Share (the “**Exercise Price**”), on the basis of ten (10) Rights Shares for every one (1) existing Share held by Shareholders as at the Books Closure Date and one (1) Warrant for every one (1) Rights Share subscribed. The Rights cum Warrants Issue will not be withdrawn after commencement of ex-rights trading.

Entitled Shareholders will be at liberty to accept (in full or in part), or decline, or otherwise renounce or trade (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotment of Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue.

Fractional entitlements to the Rights Shares with Warrants will be disregarded in arriving at the Entitled Shareholders’ provisional allotments of Rights Shares with Warrants and will, together with the provisional allotments of Rights Shares with Warrants which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares with Warrants (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

It is hereby disclosed and confirmed that, in the allotment of excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and the Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for rounding of odd lots and allotment of excess Rights Shares with Warrants. The Company will also not make any allotment and issue of any excess Rights Shares with Warrants that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The Rights Shares with Warrants are payable in full upon acceptance and application by Entitled Shareholders. The Rights Shares with Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the Rights Shares with Warrants.

Depending on the level of subscription for the Rights Shares with Warrants, the Company will, if necessary, scale down the subscription for the Rights Shares with Warrants by any of the Substantial Shareholders (if such Substantial Shareholder chooses to subscribe for its pro-rata Rights Shares with Warrants entitlement) to avoid placing the relevant Substantial Shareholder in the position of incurring a mandatory general offer obligation under the Code as a result of other Shareholders not taking up their Rights Shares with Warrants entitlement fully.

2.2 Size of Rights cum Warrants Issue

As at the Latest Practicable Date, the issued share capital of the Company (excluding treasury shares) comprises 96,276,201 Shares (the “**Existing Share Capital**”).

Based on the Existing Share Capital and assuming that all the Entitled Shareholders subscribe and pay for their pro rata entitlements of Rights Shares with Warrants (the “**Maximum Subscription Scenario**”), the Company will issue 962,762,010 Rights Shares and 962,762,010 Warrants under the Rights cum Warrants Issue. In the event that all the Warrants are exercised, the Company will issue a further 962,762,010 Warrant Shares.

LETTER TO SHAREHOLDERS

Assuming that all the Rights Shares are subscribed and issued, the Rights Shares will comprise 1000% of the Existing Share Capital and 90.91% of the enlarged share capital which will be 1,059,038,211 Shares. Further, assuming that all the Rights Shares are subscribed and issued and all the Warrants are exercised, the Rights Shares and the Warrant Shares will comprise 2000% of the Existing Share Capital and 95.24% of the enlarged share capital which will be 2,021,800,221 Shares.

2.3 Principal Terms of the Rights cum Warrants Issue

Number of Rights Shares : Up to 962,762,010 Rights Shares (with up to 962,762,010 free detachable unlisted Warrants).

Basis of Provisional Allotment : The Rights cum Warrants Issue is made on a renounceable basis to Entitled Shareholders on the basis of ten (10) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date, and one (1) Warrant given for every one (1) Rights Share subscribed, fractional entitlements to be disregarded.

Issue Price : S\$0.01 for each Rights Share, payable in full on acceptance and/ or application.

The Issue Price represents a discount of approximately 87.18% to the last traded price of S\$0.078 for Shares traded on the SGX-ST on 28 June 2016, being the market day immediately preceding the Announcement on which Shares were traded on the Catalist of the SGX-ST.

Eligibility to participate : Please refer to Section 2.5 entitled “Eligibility of Shareholders to Participate in the Rights Cum Warrants Issue” of this Circular.

Status of the Rights Shares : The Rights Shares with Warrants are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls on or before the date of issue of the Rights Shares with Warrants.

Listing of the Rights Shares : The Company has on 3 October 2016 obtained the listing and quotation notice of the SGX-ST for the listing and quotation of the Rights Shares and the Warrant Shares on Catalist. The Rights Shares and the Warrant Shares will be admitted to SGX-ST after the certificates relating thereto have been issued and the allotment letters from CDP have been despatched.

The listing and quotation notice of the SGX-ST for the listing and quotation of the Rights Shares and the Warrant Shares on Catalist are in no way reflective of and are not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the Warrant Shares, the Company, its Subsidiaries and their securities.

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Acceptance and Excess Application : Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or in the case of Entitled Depositors, trade their provisional allotments of Rights Shares on Catalist during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue.

Provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy Excess Applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and that Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board of Directors will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares with Warrants. The Company will also not make any allotment and issue of any excess Rights Shares with Warrants that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

Trading of the Rights Shares : Upon the listing and quotation of the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST under the book- entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Shares will comprise of 100 Shares.

Scaling Down : Depending on the level of subscription for the Rights Shares with Warrants, the Company will, if necessary, scale down the subscription for the Rights Shares with Warrants by any of the Substantial Shareholders (if such Substantial Shareholder chooses to subscribe for its pro-rata Rights Shares with Warrants entitlement) to avoid placing the relevant Substantial Shareholder in the position of incurring a mandatory general offer obligation under the Code as a result of other Shareholders not taking up their Rights Shares with Warrants entitlement fully.

Use of CPF Funds : Persons who have previously bought their Shares under the CPFIS – Ordinary Account (“**CPFIS Shareholders**”), can only use, subject to applicable CPF rules and regulations, their CPF account savings (“**CPF Funds**”) for the payment of the Issue Price to subscribe for the Rights Shares and (if applicable) apply for excess Rights Shares. CPFIS Shareholders who wish to accept the provisional allotments of Rights Shares and (if applicable) apply for excess Rights Shares using CPF Funds will need to instruct their respective approved banks, where such CPFIS Shareholders hold their CPF Investment Accounts,

LETTER TO SHAREHOLDERS

to accept the provisional allotments of Rights Shares and (if applicable) apply for the excess Rights Shares on their behalf in accordance with the Offer Information Statement. In the case of insufficient CPF funds or stock limit, CPFIS Shareholders could top up cash into their CPF Investment Accounts before instructing their respective approved CPF agent banks to accept the Rights Shares and (if applicable) apply for excess Rights Shares. Any application made directly to the CDP or through ATMs will be rejected. CPF Funds cannot, however, be used for the purchase of the provisional allotments of the Rights Shares directly from the market.

Governing Law : Laws of the Republic of Singapore.

2.4 Principal Terms of the Warrants

Number of Warrants : Up to 962,762,010 unlisted Warrants to be issued free together with the Rights Shares.

Basis of Allotment : One (1) free detachable unlisted Warrant with every one (1) Rights Share subscribed, fractional entitlements to be disregarded.

Detachability : The Warrants will be detached from the Rights Shares on issue.

Listing of the Warrant Shares : The Company has been informed by the SGX-ST on 3 October 2016 of the grant of in-principle approval for the listing and quotation of the Warrant Shares on the SGX-ST subject to certain conditions. The in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the Warrants, the Warrant Shares, the Company, its Subsidiaries and their securities.

Form and subscription rights : The Warrants will be issued in registered form and will be constituted by the Deed Poll. Subject to the terms and conditions of the Warrants as set out in the Deed Poll, each Warrant shall entitle the Warranholder, at any time during the Exercise Period, to subscribe for one (1) Warrant Share at the Exercise Price in force on the relevant date of exercise of the Warrants.

Exercise Price : S\$0.012 for each Warrant Share on the exercise of a Warrant.

Exercise Period : The Warrants may be exercised at any time from and including the date of the issue of the Warrants up to 5.00 p.m. on the date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or Register of Warranholders of the Company is closed or is not a Market Day, in which event the Exercise Period shall end on the date prior to the closure of the Register of Members or the immediately preceding Market Day (the "**Expiry Date**"), as the case may be, but excluding such period(s) during which the Register of

LETTER TO SHAREHOLDERS

Warrantheolders may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll. Warrants remaining unexercised at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.

Notice of expiry of the Warrants shall be given to all Warrantheolders at least one (1) month before the Expiry Date.

Mode of payment for exercise of Warrants : Warrantheolders who exercise their Warrants must pay the Exercise Price by way of remittance in Singapore currency by banker's draft or cashier's order drawn on a bank in Singapore in favour of the Company for the full amount of the Exercise Price payable in respect of the Warrants exercised.

Adjustments : The Exercise Price and the number of Warrants to be held by each Warrantheolder will be subject to adjustments under certain circumstances provided for in the terms and conditions of the Warrants as set out in the Deed Poll.

Such circumstances include, without limitation, consolidation, subdivision or conversion of the Shares, capitalisation issues, rights issues and certain capital distributions.

Any additional Warrants issued pursuant to such adjustments shall rank *pari passu* with the Warrants and will for all purposes form part of the same series. Any such adjustments shall (unless otherwise provided under the rules of the SGX-ST from time to time) be announced by the Company on the SGXNET.

Status of Warrant Shares : The Warrant Shares arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then issued Shares, save that they will not be entitled to participate in any dividends, rights, allotments or other distributions, that may be declared or paid, the Record Date for which falls before the date of exercise of the Warrants.

Modifications : The Company may, without the consent of the Warrantheolders but in accordance with the terms and conditions of the Deed Poll, effect modifications to the terms and conditions of the Deed Poll including, without limitation, the terms and conditions of the Warrants, which, in the opinion of the Company, (i) is not materially prejudicial to the interests of the Warrantheolders or is of a formal, technical or minor nature; (ii) is to correct a manifest error or to comply with mandatory provisions of Singapore law; or (iii) is to vary or replace provisions relating to the transfer or exercise of the Warrants, including the issue of Warrant Shares arising from the exercise thereof or the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the SGX-ST.

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Any such modification shall be binding on all Warranholders and all persons having an interest in the Warrants and shall be notified to them in accordance with the terms and conditions of the Warrants as set out in the Deed Poll, as soon as practicable thereafter.

Without prejudice to any provision of the Deed Poll, any material alteration in the terms and conditions of the Warrants to the advantage of the Warranholders is subject to the approval of Shareholders except where the alterations are made pursuant to the terms and conditions of the Warrants as set out in the Deed Poll.

Transfer and Transmission

: The Warrants shall be transferable in lots entitling Warranholders to subscribe for whole numbers of Warrant Shares. A Warrant may only be transferred in the manner prescribed in the terms and conditions of the Warrants set out in the Deed Poll including, *inter alia*, the following:

- (i) Lodgement of Certificates and Transfer Forms – a Warranholder whose Warrants are registered in his own name (the “**Transferor**”) shall lodge, during normal business hours on any Business Day so as to be received at the specified office of the Warrant Agent, the Transferor’s warrant certificate(s) together with an instrument of transfer (the “**Transfer Form**”) duly completed and signed by, or on behalf of, the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty;
- (ii) Deceased Warranholder – the executors and administrators of a deceased Warranholder whose Warrants are registered otherwise than in the name of CDP (not being one of several joint holders whose Warrants are registered otherwise than in the name of CDP) or if the Warranholder is CDP, of a deceased Depositor, and, in the case of one or more of several such joint Warranholders, the survivor or survivors of such joint holders shall be the only persons recognised by the Company and the Warrant Agent as having title to Warrants registered in the name of a deceased Warranholder. Such persons shall, on producing to the Warrant Agent such evidence as may be required by the Warrant Agent to prove their title, and on the completion of a Transfer Form and the payment of the fees and expenses set out in the Deed Poll, be entitled to be registered as a holder of the Warrants or to make such transfer as the deceased holder could have made;

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- (iii) Warrants registered in the name of CDP – where the Warrants are registered in the name of CDP and the Warrants are to be transferred between Depositors, such Warrants must be transferred in the Depository Register by CDP by way of book-entry; and
- (iv) Effective Date of Transfer – A Transferor or Depositor, as the case may be, shall be deemed to remain a holder of the Warrant until the name of the transferee is entered in the Register of Warranholders by the Warrant Agent or the Depository Register by CDP, as the case may be.

Winding-up

: Where there is a members' voluntary winding-up of the Company (other than a winding-up for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement approved by the Warranholders by way of an extraordinary resolution), the Warranholders shall be entitled upon and subject to the conditions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company, elect to be treated as if they had immediately prior to the commencement of such winding-up exercised the Warrants and had on such date been the holders of the Shares to which they would have been entitled pursuant to such exercise, and the liquidator of the Company shall, if permitted by law, give effect to such election accordingly. The Company shall give notice to the Warranholders in accordance with the conditions of the Deed Poll of the passing of any such resolution within seven (7) business days after the passing thereof. Where a Warranholder has elected to be treated as if it had exercised its Warrants as aforesaid, it shall be liable to pay the Exercise Price in relation to such exercise.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse and cease to be valid for any purpose.

Further Issues

: Subject to the terms and conditions of the Warrants as set out in the Deed Poll, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and to issue further subscription rights, upon such terms and conditions as the Company sees fit but the Warranholders shall not have any participating rights in such further issues of Shares or subscription rights unless otherwise resolved by the Company in general meeting.

Use of CPF Funds

: CPF members may use their savings in the CPF Ordinary Account (subject to the availability of investible savings) for the payment of the Exercise Price upon exercise of the Warrants (in which case the Warrant Shares arising therefrom will be held through the CPF Investment

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Account). CPF members are NOT permitted to use the CPF monies to purchase the “nil-paid” rights traded on SGX-ST.

Warrant Agent : Boardroom Corporate & Advisory Services Pte Ltd.
Governing Law : Laws of the Republic of Singapore.

The above terms and conditions of the Rights cum Warrants Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights cum Warrants Issue will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights cum Warrants Issue at the EGM.

2.5 Eligibility of Shareholders to Participate in the Rights cum Warrants Issue

Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Rights cum Warrants Issue and to receive the Offer Information Statement together with the AREs or PALs, as the case may be, and other accompanying documents at their respective Singapore addresses.

Entitled Depositors who do not receive the Offer Information Statement and the AREs may obtain them from CDP, the Share Registrar or any stockbroking firm during the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PALs may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares with Warrants under the Rights cum Warrants Issue on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders are at liberty to accept (in full or in part), decline, renounce or trade on Catalist during the provisional allotment trading period prescribed by the SGX-ST, in full or in part their provisional allotments of Rights Shares with Warrants and are eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue. For avoidance of doubt, only Entitled Shareholders (and not the Purchasers or the renounces) shall be entitled to apply for additional Rights Shares with Warrants in excess of their provisional allotments.

All dealings in, and transactions of, the provisional allotments of Rights Shares with Warrants through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs which are issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or effect any change in address must reach CDP not later than five (5) Market Days before the Books Closure Date.

Entitled Scripholders should note that all correspondences and notices will be sent to their last registered addresses with the Company. Entitled Scripholders are reminded that any request to the Company to update their records or effect any change in address must reach AA Group Holdings Ltd, c/o Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than five (5) Market Days before the Books Closure Date. Entitled Scripholders may open Securities Accounts with CDP if they have not already done so and to deposit their share certificates with CDP prior to the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the Rights. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgement of the share certificates with CDP or such later date subject to the completion of the lodgement process.

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The Rights Shares with Warrants which are not otherwise taken up or allotted for any reason shall be used to satisfy applications for excess Rights Shares with Warrants (if any) as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

In the allotment of excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and that Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares with Warrants.

The Company will not make any allotments and issue of Rights Shares, Warrants or Warrant Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

Entitled Depositors, who wish to accept their provisional allotments of Rights Shares with Warrants and (if applicable) apply for excess Rights Shares with Warrants, may only do so through CDP and/or by way of an electronic application through ATM(s) of a Participating Bank. Full details of the Rights cum Warrants Issue, including an indicative timetable of the key events, will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course.

Foreign Shareholders

The Offer Information Statement and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than in Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders.

Accordingly, Foreign Shareholders will not be entitled to participate in the Rights cum Warrants Issue. No provisional allotment of Rights Shares with Warrants will be made to Foreign Shareholders and no purported acceptance thereof or application therefore by Foreign Shareholders will be valid.

The Offer Information Statement and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares with Warrants through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the “**Foreign Purchasers**”). Foreign Purchasers who wish to accept the provisional allotments of Rights Shares with Warrants credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. Further, any renounee of an Entitled Scripholder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the provisional allotment of the Rights Shares with Warrants renounced to him. The Company further reserves the right to reject any acceptances of the Rights Shares with Warrants and/or any application for excess Rights Shares with Warrants where it believes, or has reason to believe, that such acceptance or application may violate the applicable legislation of any jurisdiction.

The Company reserves the right to treat as invalid any ARE, ARS or PAL which (a) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction; (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares with Warrants or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore; or (c) purports to exclude any deemed representation or warranty. The Company further reserves the right to reject any acceptances of the Rights Shares with Warrants and/or applications for excess Rights Shares with Warrants where it believes, or has reason to believe, that such acceptances and/ or applications may violate the applicable legislation of any jurisdiction.

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Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP.

Foreign Shareholders who wish to be eligible to participate in the Rights cum Warrants Issue may provide a Singapore address by notifying in writing, as the case may be, (i) CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588 or (ii) AA Group Holdings Ltd c/o the Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 no later than five (5) Market Days before the Books Closure Date.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotment of Rights Shares with Warrants commence.

Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed among Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them by means of a crossed cheque at their own risk by ordinary post, or in such other manner as they may have agreed with CDP for payment of any cash distributions. If the amount of net proceeds distributable to any single Foreign Shareholder is less than S\$10.00, such net proceeds will be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

Where such provisional allotments of Rights Shares with Warrants are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in respect of such sales or proceeds thereof, the provisional allotments of Rights Shares with Warrants or the Rights Shares with Warrants represented by such provisional allotments.

If such provisional allotments of Rights Shares with Warrants cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares with Warrants, the Rights Shares with Warrants represented by such provisional allotments will be used to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

Notwithstanding the above, Entitled Shareholders and any other person having possession of the Offer Information Statement and its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares with Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other legal requirements in those territories.

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The procedures for, and the terms and conditions applicable to, the acceptance, renunciation and/or sale of the provisional allotments of the Rights Shares with Warrants and for Excess Application for the Rights Shares with Warrants pursuant to the Rights cum Warrants Issue will be set out in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

2.6 Rationale of Rights cum Warrants Issue and Use of Proceeds

The Company is undertaking the Rights cum Warrants Issue to strengthen the financial position and capital base of the Group. The Rights cum Warrants Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company. The net proceeds arising from the allotment and issuance of the Rights Shares (without taking into account the proceeds from the exercise of the Warrants) will be towards expanding the business of the Group, financing business ventures through acquisitions and/or strategic investments and working capital.

There is no minimum amount to be raised from the Rights cum Warrants Issue. For the purposes of Rule 814(1)(e) of the Listing Manual, (i) the Directors are of the opinion that, after taking into consideration the present bank facilities, the working capital available to the Group is sufficient to meet its present requirements and the Rights cum Warrants Issue is being undertaken for the reason stated in the previous paragraph, and (ii) consequently, they are of the opinion that, after taking into consideration the present bank facilities and the net proceeds of the Rights cum Warrants Issue, the working capital available to the Group is sufficient to meet its present requirements.

The Directors are of the opinion that there is no minimum amount which must be raised from the Rights cum Warrants Issue. Hence, in view of the above and the savings enjoyed for not having to bear underwriting fees, the Company has decided to proceed with the Rights cum Warrants Issue on a non-underwritten basis.

The net proceeds arising from the allotment and issuance of all the Rights Shares (without taking into account the proceeds from the exercise of the Warrants), after deducting estimated costs and expenses of S\$150,000.00 relating to the Rights cum Warrants Issue, is approximately S\$9,470,000.00. The Company intends to use the net proceeds arising from the allotment and issuance of the Rights Shares (without taking into account the proceeds from the exercise of the Warrants and in the following order of priority) as set out below:

Use of Proceeds	Percentage of Net Proceeds (%)
1. For business expansion and financing business ventures through acquisitions and/or strategic investments	80-95
2. Working capital purposes	5-20
Total	100

The additional proceeds arising on the assumption of the exercise of all the Warrants is approximately S\$11,550,000.00. As and when the Warrants are exercised, the proceeds arising therefrom may, at the discretion of the Directors, be applied towards expanding the business of the Group, financing business ventures through acquisitions and/or strategic investments and working capital.

Pending the deployment of the net proceeds raised from the Rights cum Warrants Issue, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

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The Company will make periodic announcements on the use of the proceeds from the Rights cum Warrants Issue as and when such proceeds are materially disbursed and will provide a status report on the use of proceeds from the Rights cum Warrants Issue in the interim and full year financial statements issued pursuant to Rule 705 of the Listing Manual and in the annual report(s) of the Company, until such time the proceeds have been fully utilised.

2.7 Books Closure Date

Subject to the Shareholders' approval of the Rights cum Warrants Issue at the EGM, the Books Closure Date for the purpose of determining the Entitled Shareholders' entitlements under the Rights cum Warrants Issue will be announced at a later date.

3. FINANCIAL INFORMATION OF THE GROUP

3.1 Consolidated Income Statements

The consolidated income statements of the Group for FY2013, FY2014 and FY2015 are set out below:

	<u>FY2013</u> S\$ Audited	<u>FY2014</u> S\$ Audited	<u>FY2015</u> S\$ Audited
Revenue	15,986,491	15,687,952	15,471,279
Cost of sales	(15,021,789)	(14,373,937)	(14,675,598)
Gross profit	964,702	1,314,015	795,681
Other operating income	1,205,184	844,515	1,296,183
Administrative expenses	(1,259,128)	(1,409,570)	(1,593,702)
Other operating expenses	(103,008)	(128,981)	(23,400)
Finance income	13,544	17,476	15,497
Finance costs	(538,281)	(526,964)	(478,853)
Profit before income tax	283,013	110,491	11,406
Income tax	19,325	(120,048)	(154,417)
Net profit/(loss) for the year	302,338	(9,557)	(143,011)
Other comprehensive (loss), net of income tax: Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations	(492,613)	(320,966)	(1,782,759)
Total comprehensive (loss) for the year attributable to equity holders of the Company	(190,275)	(330,523)	(1,925,770)
Earnings/(Loss) per share (cents)			
- Basic and diluted	0.31	(0.01)	(0.15)

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A review of the operations, business and financial performance of the Group is set out below:

FY2013 vs FY2012

The Group's revenue for FY2013 increased by S\$1.68 million or 11.77%, as compared to FY2012. The increase in revenue was primarily due to contribution from the iron ore trading operations which fully commenced in FY2013. Contribution from this segment amounted to S\$3.08 million or 19.14%. However, decline in demand for the Group's T-yokes and washers resulted in a decrease in revenue amounting to S\$1.34 million during the same period.

Gross profit for FY2013 decreased by S\$0.32 million or 24.99%, as compared to FY2012 and this is mainly attributable to a general increase in cost of sales, particularly in manufacturing cost and specifically in direct labour cost and subcontractor cost.

The increase in other operating income of approximately S\$0.56 million or 87.61% was mainly due to a one-off gain on the disposal of the vacant land at Lot 146, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, details of which has been disclosed in the announcement released by the Company on 13 May 2013.

Profit before income tax for FY2013 increased to S\$0.28 million. This was mainly driven by the profit of S\$0.21 million from the operations of the new iron ore trading business which fully commenced in FY2013.

FY2014 vs FY2013

The Group's revenue for FY2014 decreased by S\$0.30 million or 1.87%, as compared to FY2013. The decrease in revenue was mainly due to the decrease in revenue from the iron ore trading operations by S\$1.74 million or 11.07% and partially offset by increased demand for the Group's speaker products namely U-Yoke, by S\$1.51 million due to increase in demand.

The Group's cost of sales decreased by S\$0.65 million or 4.31% in FY2014 as compared to FY2013, primary due to a decrease in factory overheads.

Notwithstanding the decrease in revenue, the Group's gross profit for FY2014 increased by S\$0.35 million or 36.21%, as compared to FY2013, which is mainly attributable to the decrease in cost of sales.

The Group's other operating income in FY2014 decreased by S\$0.36 million or 29.93%, as compared to FY2013, mainly due to the one-off gain on the disposal of the vacant land at Lot 146 in FY2013, which has been disclosed in the announcement released by the Company on 13 May 2013.

The Group's profit before income tax for FY2014 decreased by S\$0.17 million or 60.96%, as compared to FY2013, which is mainly attributable to the increase in administrative expenses by S\$0.15 million during the year and other operating expenses by S\$0.03 million, partially offset by a decrease in finance costs by S\$0.01 million.

The Group's income tax expenses for FY2014 amounted to S\$0.12 million and pertain to deferred tax liabilities arising from temporary difference attributable to the Group's property, plant and equipment allowances.

FY2015 vs FY2014

The Group's revenue for FY2015 decreased by approximately S\$0.22 million or 1.38% as compared to FY2014. The decrease in revenue was mainly due to the decrease in revenue from the iron ore trading operations by approximately S\$1.27 million in FY2015 as compare to FY2014, and partially offset by the increase in revenue from the Group's speaker products by approximately S\$1.05 million in FY2015 as compared to FY2014 due to increase in demand.

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Gross profit for the financial year decreased by S\$0.52 million or 39.45%, as compared to the previous year and this is mainly attributable to a general increase in cost of sales, particularly in manufacturing cost and specifically in labour cost and maintenance cost.

The Group's other operating income for FY2015 increased by approximately S\$0.45 million or 53.48% as compared to FY2014, mainly due to a gain on foreign exchange.

The Group's profit before tax for FY2015 decreased by S\$0.10 million or 89.68%, as compared to FY2014, which is mainly attributable to the decrease in gross profit by S\$0.52 million, partially offset by the increase in other operating income of S\$0.45 million and the increase in administrative expenses and other operating expenses of S\$0.08 million.

The Group's income tax expenses for FY2015 amounted to approximately S\$0.15 million and pertain to deferred tax liabilities arising from timing difference between depreciation and tax capital allowances.

3.2 Balance Sheet

The consolidated balance sheets of the Group for FY2013, FY2014, and FY2015 are set out below:

	<u>FY2013</u> S\$ Audited	<u>FY2014</u> S\$ Audited	<u>FY2015</u> S\$ Audited
ASSETS			
Non-current assets			
Property, plant and equipment	16,838,974	15,178,258	13,082,761
Prepaid land lease payments	542,097	518,261	441,735
	17,381,071	15,696,519	13,524,496
Current assets			
Inventories	4,110,667	4,434,089	3,484,961
Trade and other receivables	5,040,783	5,263,565	4,651,683
Other current assets	1,428,910	984,262	1,585,254
Cash and bank balances	900,769	1,079,244	2,355,432
	11,481,129	11,761,160	12,077,330
Total assets	28,862,200	27,457,679	25,601,826
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	12,515,906	12,515,906	12,515,906
Reserves	1,064,219	733,696	(1,192,074)
	13,580,125	13,249,602	11,323,832
Non-current liabilities			
Bank borrowings	97,158	821,172	751,021
Hire purchase creditors	492,532	306,760	729,059
Deferred taxation	2,025,413	2,086,792	1,961,577
	2,615,103	3,214,724	3,441,657

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	<u>FY2013</u> S\$ Audited	<u>FY2014</u> S\$ Audited	<u>FY2015</u> S\$ Audited
Current liabilities			
Trade and other payables	4,126,526	4,543,847	5,223,250
Hire purchase creditors	398,162	335,425	490,374
Bank borrowings	8,142,284	6,114,081	5,122,713
	12,666,972	10,993,353	10,836,337
Total liabilities	15,282,075	14,208,077	14,277,994
Total equity and liabilities	28,862,200	27,457,679	25,601,826

Review of balance sheet as at 31 December 2013

As at the end of 31 December 2013, the net book value of the Group's property, plant and equipment and prepaid land lease payments was approximately S\$17.38 million. The foregoing constituted 60.22% of the Group's total assets.

As at the end of 31 December 2013, the current assets of the Group amounted to S\$11.48 million. This mainly comprises inventories amounting to S\$4.11 million and trade and other receivables amounting to S\$5.04 million. Current assets constituted 39.78% of the Group's total assets.

Inventory amounting to S\$4.11 million mainly comprises raw materials amounting to S\$2.61 million, and semifinished and finished goods amounting to S\$1.50 million.

Trade and other receivables amounting to S\$5.04 million accounted for 43.90% of the Group's current assets. The increase in trade and other receivables is mainly due to large orders from the iron ore trading business received towards the end of the financial year.

Cash and bank balances comprising cash in hand and cash at financial institutions amounted to approximately S\$0.34 million and fixed deposits amounting to S\$0.56 million which have been pledged to banks as collateral for notes payable as at 31 December 2013.

As at 31 December 2013, the total current liabilities of the Group amounted to S\$12.67 million.

Short-term bank borrowings and hire purchases creditors of S\$8.54 million amounting to 67.42% of the Group's total current liabilities were mainly used for working capital purposes. The decrease in short-term bank borrowings was mainly due to the repayment of term loans and repayment made to hire purchase creditors during the year.

The increase in the Group's trade and other payables from S\$2.15 million to S\$4.13 million was mainly driven by the increase in trade payables relating to the following: subcontractor cost amounting to S\$0.28 million, purchase of equipment amounting to S\$0.11 million, and cost incurred in the new iron ore trading business amounting to S\$0.13 million. The latter is in line with the increase in trade receivables for the iron ore trading business.

Shareholders' equity as at 31 December 2013 was approximately S\$13.58 million.

Review of balance sheet as at 31 December 2014

As at 31 December 2014, the net book value of the Group's property, plant and equipment and prepaid land lease payments was approximately S\$15.70 million. The foregoing constituted 57.17% of the Group's total assets as at 31 December 2014.

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As at 31 December 2014, the current assets of the Group amounted to S\$11.76 million. This comprised of inventories of S\$4.43 million, trade and other receivables of S\$5.26 million, other current assets of S\$0.98 million and cash at bank and in hand of S\$1.08 million. Current assets constituted 42.83% of the Group's total assets as at 31 December 2014.

The Group's inventories amounted to S\$4.43 million, representing 37.70% of the Group's total current assets, and mainly comprised of raw materials of S\$2.68 million and semi-finished and finished goods of S\$1.75 million.

The Group's trade and other receivables amounted to S\$5.26 million, representing 44.75% of the Group's current assets. The increase in trade and other receivables as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to large orders from Harman Becker towards the end of 31 December 2014.

The Group's cash and bank balances comprising cash in hand and cash at financial institutions amounted to approximately S\$0.51 million as at 31 December 2014 and fixed deposits of S\$0.57 million as at 31 December 2014 which have been pledged to banks as collateral for notes payable.

As at 31 December 2014, the total current liabilities of the Group amounted to S\$10.99 million, representing 77.37% of the Group's total liabilities as at 31 December 2014.

The Group's short-term bank borrowings and hire purchase creditors as at 31 December 2014 amounted to S\$6.45 million, representing 58.67% of the Group's total current liabilities as at 31 December 2014, were mainly used for its working capital purposes. The decrease in short-term bank borrowings as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to the repayment of term loans and hire purchase creditors during the current financial period.

The increase in the Group's trade and other payables from S\$4.13 million as at 31 December 2013 to S\$4.54 million as at 31 December 2014 was due mainly to the purchase of raw materials for speaker parts and sub-contractor costs increases during the year.

As at 31 December 2014, the Group's non-current liabilities amounted to S\$3.21 million, representing 22.63% of the Group's total liabilities as at 31 December 2014, comprising long-term bank borrowings and hire purchase creditors of S\$1.12 million and deferred taxation of S\$2.09 million.

The increase in long-term bank borrowings and hire purchase creditors compared to that as at 31 December 2013 was due mainly to the additional purchases of plant and machineries during the financial year ended 31 December 2014.

The Group's shareholders' equity as at 31 December 2014 was S\$13.25 million.

Review of balance sheet as at 31 December 2015

As at 31 December 2015, the net book value of the Group's property, plant and equipment and prepaid land lease payments was approximately S\$13.52 million. The foregoing constituted 52.83% of the Group's total assets as at 31 December 2015.

As at 31 December 2015, the current assets of the Group amounted to S\$12.08 million. This comprised of inventories of S\$3.48 million, trade and other receivables of S\$4.65 million, other receivables of S\$1.59 million and cash at bank and in hand of S\$2.36 million. Current asset constituted 47.17% of the Group's total assets as at 31 December 2015.

The Group's inventories amounted to S\$3.48 million, representing 28.86% of the Group's total current assets.

The Group's trade and other receivables amounted to S\$4.65 million, representing 38.52% of the Group's total current assets.

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The Group's cash at bank and in hand comprising cash in hand and cash at financial institutions amounted to approximately S\$1.85 million as at 31 December 2015 and fixed deposit of S\$0.51 million as at 31 December 2015 which have been pledged to banks as collateral for notes payable.

As at 31 December 2015, the total current liabilities of the Group amounted to S\$10.84 million, representing 75.90% of the Group's total liabilities as at 31 December 2015.

The Group's short-term bank borrowings and hire purchase creditors as at 31 December 2015 amounted to S\$5.61 million, representing 51.80% of the Group's total current liabilities as at 31 December 2015, which were mainly use for its working capital purposes.

The increase in the Group's trade and other payables from S\$4.54 million as at 31 December 2014 to approximately S\$5.22 million as at 31 December 2015 was due mainly to the translation differences.

As at 31 December 2015, the Group's non-current liabilities amounted to S\$3.44 million, representing 24.10% of the Group's total liabilities as at 31 December 2015, comprising long-term bank borrowings and hire purchase creditors of S\$1.48 million and deferred taxation of S\$1.96 million.

The increase in long-term bank borrowings and hire purchase creditors compared to that as at 31 December 2014 was due mainly to the additional purchases of plant and machineries during the financial year ended 31 December 2015.

The Group's shareholders' equity as at 31 December 2015 was S\$11.32 million.

3.3 Statements of Cash Flow

The consolidated cash flow statements of the Group for FY2013, FY2014 and FY2015 are set out below:

	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
	S\$	S\$	S\$
	Audited	Audited	Audited
Cash Flows from Operating Activities			
Profit before income tax	283,013	110,491	11,406
Adjustments for:			
Depreciation of property, plant and equipment	1,615,534	1,800,451	1,674,331
Amortisation of prepaid land lease payments	13,470	11,113	10,394
(Gain)/Loss on disposal of property, plant and equipment	(13,235)	(34,745)	14,378
Property, plant and equipment written off	–	2,911	113
Gain on disposal of leasehold land	(435,896)	–	–
Net foreign exchange gain - unrealised	(131,504)	(147,887)	(313,202)
Inventories written down	11,539	11,114	3,693
Interest income	(13,544)	(17,476)	(15,497)
Interest expense	516,528	508,613	453,843
Operating cash flows before changes in working capital	1,845,905	2,244,585	1,839,459
Changes in working capital:			
Inventories	159,875	(334,536)	401,383
Trade and other receivables and other current assets	(2,538,404)	447,005	(64,516)
Trade and other payables	1,583,654	299,672	169,664
Related party	94,475	(230,071)	–

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	<u>FY2013</u> S\$ Audited	<u>FY2014</u> S\$ Audited	<u>FY2015</u> S\$ Audited
Cash generated from operations	1,145,505	2,426,655	2,345,990
Interest received	13,544	17,476	15,497
Interest paid	(516,528)	(508,613)	(453,843)
Income tax paid	(13,322)	(23,716)	(8,352)
Income tax refund	–	–	12,792
Net cash generated from operating activities	629,199	1,911,802	1,912,084
Cash Flows from Investing Activities			
Refundable deposit advanced to third party	–	–	(500,000)
Purchase of property, plant and equipment	(769,451)	(323,707)	(361,499)
Proceeds from disposal of property, plant and equipment	50,451	42,267	30,443
Proceeds from disposal of leasehold land	–	774,536	–
Placement of fixed deposits with licensed banks	–	–	(15,497)
Net cash (used in)/from investing activities	55,536	(281,440)	(846,553)
Cash Flows from Financing Activities			
Loan from shareholders	–	–	1,230,000
Decrease in bills payable	(985,357)	(1,759,675)	(206,166)
Repayment of hire purchase creditors	(397,529)	(449,273)	(510,713)
Repayment of term loans	(227,040)	(223,880)	(132,143)
Proceed from term loan	–	946,108	117,655
Decrease in fixed deposits (pledge)	10,029	–	–
Net (repayment)/proceeds from directors	316,186	281,516	(136,551)
Net cash generated (used in)/from financing activities	(1,283,711)	(1,205,204)	362,083
Net (decrease)/increase in cash and cash equivalents	(598,976)	425,158	1,427,614
Cash and cash equivalents at the beginning of the year	14,835	(503,370)	(120,217)
Effect of exchange rate changes on the balance of cash held in foreign currencies	80,771	(42,005)	(49,632)
Cash and cash equivalents at the end of the year	(503,370)	(120,217)	1,257,765

A review of the cash flow position for the Group for FY2013, FY2014 and FY2015 is set out below:

FY2013

For FY2013, operating cash flow before changes in working capital was approximately S\$1.85 million.

Net cash generated from operating activities was approximately S\$0.63 million. This was mainly due to an overall increase in trade receivables and trade payables driven by the new iron ore trading business, which fully commenced in FY2013.

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Net cash generated from investing activities amounted to approximately S\$0.06 million. This was mainly attributable to the placement of fixed deposits with licensed banks and offset by the purchase of property, plant and equipment.

Net cash used in financing activities amounted to approximately S\$1.28 million. This was mainly attributable to the repayment of term loans and hire purchase creditors, and a decrease in bill payables.

FY2014

For FY2014, the Group's operating cash flow before changes in working capital was S\$2.24 million and the net cash generated from operating activities in FY2014 amounted to S\$1.91 million. This was mainly due to a decrease in trade receivables and an increase in trade payables.

The Group's net cash used in investing activities in FY2014 amounted to S\$0.28 million. This was mainly attributable to the purchase of machinery and factory equipment for production purposes.

The Group's net cash used in financing activities in FY2014 amounted to S\$1.21 million. This was mainly attributable to the repayment of term loans and hire purchase creditors, and a decrease in bill payables.

FY2015

For FY2015, the Group's operating cash flow before changes in working capital was S\$1.84 million and the net cash generated from operating activities in FY2015 amounted to S\$1.91 million. This was mainly due to an increase in trade receivables.

The Group's net cash used in investing activities in FY2015 amounted to S\$0.85 million. This was mainly due to the purchase of machinery and factory equipment for production purposes.

The Group's net cash generated in financing activities in FY2015 amounted to S\$0.36 million. This was mainly due to loan from shareholders.

3.4 Working Capital

The working capital of the Group as at 31 December 2013, 31 December 2014 and 31 December 2015 are set out below:

	<u>31 December</u> <u>2013</u> S\$	<u>31 December</u> <u>2014</u> S\$	<u>31 December</u> <u>2015</u> S\$
Total Current Assets	11,481,129	11,761,160	12,077,330
Total Current Liabilities	12,666,972	10,993,353	10,836,337
Net Working Capital	(1,185,843)	767,807	1,240,993

A review of the working capital of the Group as at 31 December 2013, 31 December 2014 and 31 December 2015 is set out below:

As at 31 December 2013 compared to 31 December 2012

The increase in net working capital of S\$0.84 million from (S\$2.03) million as at 31 December 2012 to (S\$1.19) million as at 31 December 2013 was due to increase in trade and other receivables of S\$1.50 million, increase in other current assets of S\$1.15 million and decrease in short-term bank borrowings of S\$0.89 million. The increase was offset by decrease in inventories of S\$0.17 million, decrease in cash and bank balance of S\$0.41 million, increase in trade and other payables of S\$1.98 million and hire purchase creditors of S\$0.14 million.

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As at 31 December 2014 compared to 31 December 2013

The increase in net working capital of S\$1.95 million from (S\$1.19) million as at 31 December 2013 to S\$0.77 million as at 31 December 2014 was due to increase in inventories of S\$0.32 million, increase in trade and other receivables of S\$0.22 million, increase in cash and bank balance of S\$0.18 million, decrease in hire purchase creditors of S\$0.06 million and decrease in short-term bank borrowings of S\$2.03 million. The increase was offset by decrease in other current assets of S\$0.44 million and increase in trade and other payables of S\$0.42 million.

As at 31 December 2015 compared to 31 December 2014

The increase in net working capital of S\$0.47 million from S\$0.77 million as at 31 December 2014 to S\$1.24 million as at 31 December 2015 was due to increase in other current assets of S\$0.60 million, increase in cash and bank balance of S\$1.28 million and decrease in short-term bank borrowings of S\$0.99 million. The increase was offset by decrease in inventories of S\$0.95 million, decrease in trade and other receivables of S\$0.61 million, increase in trade and other payables of S\$0.68 million and increase in hire purchase creditors of S\$0.16 million.

4. FINANCIAL EFFECTS OF THE RIGHTS CUM WARRANTS ISSUE

4.1 Assumptions

The pro forma financial effects of the Rights cum Warrants Issue are purely for illustration purposes only and do not purport to be indicative or a projection or an estimate of the future results and financial positions of the Company and/or the Group immediately following the completion of the Rights cum Warrants Issue.

The financial effects have been prepared based on the latest announced audited consolidated financial statements of the Group for FY2015.

The financial effects are presented herein after taking into account the following assumptions:

- (a) all the Entitled Shareholders subscribe and pay for their pro rata entitlements of Rights Shares with Warrants;
- (b) all the Rights Shares with Warrants have been issued;
- (c) all the Warrants are exercised immediately after the completion of the Rights cum Warrants Issue;
- (d) for the purpose of computing the financial effects of the Rights cum Warrants Issue on the Net Tangible Assets (“NTA”) per Share of the Group :
 - (i) the Rights cum Warrants Issue is assumed to have been completed on 31 December 2015; and
 - (ii) the issuance of new Shares subsequent to FY2015 pursuant to the exercise of 962,762,010 Warrants are assumed to be completed on 31 December 2015; and
- (e) for the purpose of computing the financial effects of the Rights cum Warrants Issue on the loss per Share (“LPS”) of the Group :
 - (i) the Rights cum Warrants Issue is assumed to have been completed on 1 January 2015; and
 - (ii) the issuance of new Shares subsequent to FY2015 pursuant to the exercise of 962,762,010 Warrants are assumed to be completed on 1 January 2015.

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4.2 NTA

The effects on the consolidated NTA of the Group for FY2015 will be as follows:

NTA as at 31 December 2015	11,323,832
Add: Proceeds from the issue of all of the Rights Shares	9,627,620
Proceeds arising from the exercise of all of the Warrants	11,553,144
NTA after the issue of all the Rights Shares and the exercise of all the Warrants	32,504,596
Number of Shares before the issue of all the Rights Shares and the exercise of all the Warrants	96,276,201
Add: Issuance of all of the Rights Shares	962,762,010
Exercise of all of the Warrants	962,762,010
Number of Shares after the issue of all the Rights Shares and the exercise of all the Warrants	2,021,800,221
NTA per Share before the issue of all the Rights Shares and the exercise of all the Warrants	0.12
NTA per Share after the issue of all the Rights Shares and the exercise of all the Warrants	0.02

4.3 LPS

The effects on the consolidated LPS of the Group for FY2015 will be as follows:

Net loss attributable to the owners of the Company	(143,011)
Weighted average number of shares for FY2015 before the issue of all the Rights Shares and the exercise of all the Warrants	96,276,201
Add: Issuance of all of the Rights Shares	962,762,010
Exercise of all of the Warrants	962,762,010
Weighted average number of shares for FY2015 after the issue of all the Rights Shares and the exercise of all the Warrants	2,021,800,221
Loss per Share before the issue of all the Rights Shares and the exercise of all the Warrants (Cents)	0.15
Loss per Share after the issue of all the Rights Shares and the exercise of all the Warrants (Cents)	—*

* Less than 0.01

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4.4 Share Capital

The effects on the share capital of the Company are as follows:

	Number of Shares	Share Capital
Existing Share Capital as at 31 December 2015	96,276,201	12,515,906
Add: Issuance of all of the Rights Shares	962,762,010	9,627,620
Exercise of all of the Warrants	962,762,010	11,553,144
Enlarged Share Capital after the issue of all the Rights Shares and the exercise of all the Warrants	2,021,800,221	33,696,670

4.5 Gearing

The effects on the Gearing of the Group is as follows:

Gearing before the issue of all the Rights Shares and the exercise of all the Warrants	1.26
Gearing after the issue of all the Rights Shares and the exercise of all the Warrants	0.44

5. MATERIAL LITIGATION

The Company is not, as at the Latest Practicable Date, engaged in any litigation, either as plaintiff or defendant, which might materially or adversely affect the financial position or businesses of the Company and its subsidiaries taken as a whole, and the Directors are not aware of any litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

6. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any of its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the Latest Practicable Date:-

- (a) conditional share sale agreement dated 18 December 2015 ("**Toko Agreement**") entered into between A2A Management Pte Ltd ("**A2A**"), Chew Liang Kwang ("**CLK**") and Chew Mee Seng ("**CMS**") (CLK and CMS are referred to as the "**Vendors**") whereby A2A agreed to acquire the entire issued and paid-up share capital of Toko Construction Pte Ltd on the terms and conditions of the Toko Agreement for an aggregate consideration of S\$2,000,000; and
- (b) supplemental letter dated 16 March 2016 entered into between the Company and CLK whereby the Company and CLK agreed on the consideration and the manner of payment for the sale of CLK's shares in the capital of Toko Construction Pte Ltd ("**Toko Supplemental Agreement**").

LETTER TO SHAREHOLDERS

7. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched to Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Rights cum Warrants Issue being obtained at the EGM. Acceptances and applications under the Rights cum Warrants Issue can only be made on the following (all of which will form part of the Offer Information Statement):-

- (i) the PAL, in the case of Entitled Scripholders;
- (ii) the ARE or through the ATMs of the Participating Banks, in the case of Entitled Depositors; and
- (iii) the ARS or through the ATMs of the participating banks, in the case of persons purchasing provisional allotments of Rights with Warrants through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Circular, 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 Rights cum Warrants Issue.

8.1 Interests in Shares

As at the Latest Practicable Date, the interests of the Directors in the issued and paid-up share capital as recorded in the Register of Directors' Shareholdings maintained pursuant to Section 164 of the Companies Act and the interests of the Substantial Shareholders in the issued and paid-up capital of the Company as recorded in the Register of Substantial Shareholder(s) maintained pursuant to Section 88 of the Companies Act are as follows:

Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Hsieh Kuo Chuan @ Jamies Hsieh	—	—	—	—
Yau Woon Foong	—	—	—	—
Tan See Leng	—	—	—	—
Amelia Vincent	—	—	—	—
Ng Ser Chiang	—	—	—	—
Substantial Shareholder(s) other than Directors				
Wong Kum Yong	7,588,286	7.88	—	—
Quek Lay Wah	7,509,544	7.80	—	—
Thanaboonchuchai Karnsiri	7,509,544	7.80	—	—

9. DIRECTORS' RECOMMENDATION

Having considered the terms and conditions of and rationale for the Rights cum Warrants Issue, the Directors are of the opinion that the Rights cum Warrants Issue is in the best interests of the Company.

LETTER TO SHAREHOLDERS

Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 1 relating to the Rights cum Warrants Issue, Ordinary Resolution 2 relating to the Allotment of Excess Rights Shares with Warrants and Ordinary Resolution 3 relating to the Use of Proceeds from the Rights cum Warrants Issue, as set out in the Notice of EGM.

10. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 308 Tanglin Road, Level 2 Phoenix Park, Singapore 247974 on 15 November 2016 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modification(s), the resolutions as set out in the Notice of EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgment of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the EGM.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts, about the Rights cum Warrants Issue and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information has been reproduced from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information is accurately and correctly extracted from these sources and/or reproduced in this Circular in its proper form and context.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours from the date of this Circular to the time and date of the EGM:

- (a) the Constitution of the Company;
- (b) Toko Agreement and the Toko Supplemental Agreement; and
- (c) each of the annual reports of the Company for FY2013, FY2014 and FY2015.

Yours faithfully
For and on behalf of
the Board of Directors of
AA Group Holdings Ltd
Yau Woon Foong

NOTICE OF EXTRAORDINARY GENERAL MEETING

AA Group Holdings Ltd

(Incorporated in the Republic of Singapore)
(Company Registration No. 200412064D)

NOTICE OF EXTRAORDINARY GENERAL MEETING

All capitalized terms in this Notice which are not defined herein shall have the same meaning ascribed to them in the Circular to Shareholders dated 31 October 2016.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of AA Group Holdings Ltd (the “**Company**”) will be held at 308 Tanglin Road, Level 2 Phoenix Park, Singapore 247974 on 15 November 2016 at 10.30 a.m. for the purposes of considering and, if thought fit, passing (with or without modifications) the following ordinary resolutions.

ORDINARY RESOLUTION 1: THE RIGHTS CUM WARRANTS ISSUE

That a proposed renounceable non-underwritten rights issue (the “**Rights cum Warrants Issue**”) of up to 962,762,010 new ordinary shares of the Company (the “**Rights Shares**”) with up to 962,762,010 free detachable unlisted warrants (the “**Warrants**”) at an issue price of S\$0.01 (the “**Issue Price**”), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (the “**Warrant Share**”) at an exercise price of \$0.012 for each Warrant Share, on the basis of ten (10) Rights Shares for every one (1) existing share in the capital of the Company held as at a books closure date to be determined (the “**Books Closure Date**”), fractional entitlements to be disregarded, and one (1) Warrant for every one (1) Rights Share subscribed, be and is hereby approved and authority be and is hereby given to the Board of Directors to:-

- (a) create and issue:–
 - (i) such number of Rights Shares as the Directors may determine up to 962,762,010 Rights Shares at an issue price of S\$0.01 per Rights Share;
 - (ii) such number of Warrants as the Directors may determine up to 962,762,010 Warrants in registered form, each Warrant to entitle the holder thereof to subscribe for one (1) Warrant Share at an exercise price of S\$0.012 for each Warrant Share at any time during the period commencing on the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants subject to the terms and conditions of the deed poll (the “**Deed Poll**”) constituting the Warrants to be executed by the Company on such terms and conditions as the Directors may think fit; and
 - (iii) such further Warrants in registered form as may be required or permitted to be issued in accordance with the terms and conditions of the Deed Poll (any such further Warrants to rank *pari passu* with the Warrants and for all purposes to form part of the same series, save as may otherwise be provided in the terms and conditions of the Deed Poll);
- (b) allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company:–
 - (i) up to 962,762,010 Warrant Shares on the exercise of the Warrants, credited as fully paid, subject to and otherwise in accordance with the terms and conditions of the Deed Poll, such Warrant Shares (when issued and paid) to rank *pari passu* in all respects with the then existing Shares of the Company (save as may otherwise be provided in the terms and conditions of the Deed Poll) save for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the Warrant Shares; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) on the same basis as paragraph (b)(i) above, such further Warrant Shares as may be required to be allotted and issued on the exercise of any of the Warrants referred to in paragraph (a)(iii) above,
- (c) effect the Rights cum Warrants Issue on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:–
 - (i) the provisional allotments of the Rights Shares with Warrants under the Rights cum Warrants Issue shall be made on a renounceable basis to the Shareholders whose names appear in the Register of Members of the Company or the records of the Central Depository (Pte) Limited (the “**CDP**”) as at the Books Closure Date with registered addresses in Singapore or who have, at least five (5) market days prior to the Books Closure Date, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents, on the basis of ten (10) Rights Shares for every one (1) existing share in the capital of the Company and one (1) Warrant for every one (1) Rights Share subscribed, or in such other proportions as the Directors may think fit;
 - (ii) no provisional allotment of Rights Shares with Warrants shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least five (5) market days prior thereto, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);
 - (iii) the entitlements to Rights Shares with Warrants which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the rights entitlements relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company;
 - (iv) the entitlements to Rights Shares with Warrants not taken up or allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be allotted in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
 - (v) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of the issue of the Rights Shares;
- (d) take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Rights cum Warrants Issue (including fixing the Books Closure Date), with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors of the Company or any of them may deem fit or expedient or to give effect to this Resolution or the transactions contemplated pursuant to or in connection with the Rights cum Warrants Issue.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 2: APPROVAL OF THE MANNER OF ALLOTMENT OF EXCESS RIGHTS SHARES WITH WARRANTS

That, subject to and contingent upon the passing of Ordinary Resolution 1, approval be and is hereby given to the Board of Directors to aggregate and allot the entitlements to the Rights Shares with Warrants not taken up or allotted for any reason or which represent fractional entitlements disregarded in accordance with the terms of the Rights cum Warrants Issue, if any, to the following persons in the order of priority as below:

- (a) first, to any Shareholders in satisfaction of their applications for excess Rights Shares with Warrants (the “**Excess Applications**”), if any, provided that where there are insufficient excess Rights Shares with Warrants to allot to each application, the Company shall allot the excess Rights Shares with Warrants to the Shareholders at the Directors’ discretion, and provided that as between such Shareholders, Directors and Substantial Shareholders will rank last in priority; and
- (b) second, to any investors (not being Shareholders) who wish to invest in the Company, if any, in such manner and on such terms and conditions as the Directors may in their absolute discretion deem fit in the best interests of the Company, provided that as between such investors, investors who are Directors of the Company will rank last in priority.

Preference will be given to Shareholders for the rounding of odd lots, and that the Company will not make any allotments and issuance of any excess Rights Shares with Warrants that would result in a transfer of controlling interest in the Company unless otherwise specifically approved by the Shareholders in general meeting.

ORDINARY RESOLUTION 3: USE OF PROCEEDS FROM THE RIGHTS CUM WARRANTS ISSUE

That, subject to and contingent upon the passing of Ordinary Resolution 1, approval be and is hereby given to the Board of Directors to:

- (a) utilise the net proceeds of the allotment and issuance of the Rights Shares towards expanding the business of the Group, financing business ventures through acquisitions and/or strategic investments and working capital; and
- (b) utilise the net proceeds from the exercise of the Warrants towards expanding the business of the Group, financing business ventures through acquisitions and/or strategic investments and working capital.

By Order of the Board
AA GROUP HOLDINGS LTD

Low Yew Shen
Leow Siew Yon
Joint Company Secretaries
Singapore, 31 October 2016

NOTES:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. A member who is not a relevant intermediary (as defined in section 181 of the Companies Act (Cap. 50)) is entitled to appoint not more than two proxies and where two proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy.
3. A member who is a relevant intermediary is entitled to appoint more than two proxies and where such member’s form of proxy appoints more than one proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. In any case where a more than one proxy is appointed, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
5. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be either under its common seal or under the hand of any duly authorised officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the office of Cresco Markets Pte Ltd, 6 Mohamed Sultan Road #03-01 Singapore 238956 not less than 48 hours before the time appointed for the EGM, failing which the instrument may be treated as invalid shall be attached to the instrument of proxy.
6. The instrument appointing a proxy must be deposited at the office of Cresco Markets Pte Ltd, 6 Mohamed Sultan Road #03-01 Singapore 238956 not less than 48 hours before the time of the Meeting.
7. Investors who have used their CPF account savings to buy shares in the capital of the Company and who wish to attend the EGM as observers are to register with their respective CPF agent banks.
8. Unless defined herein, capitalised terms in the Resolutions set out in this Notice of EGM shall bear the same meanings as in the Circular to Shareholders dated 31 October 2016.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representative appointed for the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representatives to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representatives for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

AA GROUP HOLDINGS LTD

(Company Registration No. 200412064D)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy AA Group Holdings Ltd shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____

of _____

being a member/members of AA GROUP HOLDINGS LTD (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy (%)
Address		

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy (%)
Address		

or failing *him/her/them, the Chairman of the meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at 308 Tanglin Road, Level 2 Phoenix Park, Singapore 247974 on 15 November 2016 at 10.30 a.m. and at any adjournment thereof.

Note: Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of general meeting. In the absence of specific directions or in the event of any item arising at the Extraordinary General Meeting not summarised below, the proxy/proxies may vote or abstain from voting as he/they may think fit.

As Ordinary Resolutions:		For	Against
Resolution 1	To authorise the Rights cum Warrants Issue		
Resolution 2	To approve the manner of allotment of excess Rights Shares with Warrants		
Resolution 3	To approve the use of proceeds from the Rights cum Warrants Issue		

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Extraordinary General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this _____ day of _____ 2016.

Total Number of Shares in:	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s)
or, Common Seal of Corporate Member

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF



PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in the relevant sections of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the above Extraordinary General Meeting of the Company (“EGM”) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. A member who is not a relevant intermediary (as defined in section 181 of the Companies Act (Cap. 50)) is entitled to appoint not more than two proxies and where two proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy.
4. A member who is a relevant intermediary is entitled to appoint more than two proxies and where such member’s form of proxy appoints more than one proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.
5. In any case where a more than one proxy is appointed, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
6. The instrument appointing a proxy or proxies must be deposited at the office of Cresco Markets Pte Ltd, 6 Mohamed Sultan Road #03-01 Singapore 238956 not less than 48 hours before the time appointed for the EGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall, if required by law, be duly stamped and be deposited at the office of Cresco Markets Pte Ltd, 6 Mohamed Sultan Road #03-01 Singapore 238956 not less than 48 hours before the time appointed for the EGM, failing which the instrument may be treated as invalid.
9. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
10. Completion and return of this appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
11. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 31 October 2016.
12. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.