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

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ALLIED ADVANTAGE SDN BHD.

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1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of AA Group Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has entered into a conditional Share Sale and Purchase Agreement ("the "**Agreement**") with Bosetech Corporation ("**Bosetech**") on 28 August 2017 to dispose the entire issued and paid-up share capital of Allied Advantage Sdn Bhd ("**Allied Advantage**") on the terms and conditions of the Agreement (the "**Proposed Disposal**") for a consideration of S$7,535,551.17 (the "**Purchase Consideration**").

Allied Advantage is engaged in the manufacturing and supply of high-precision cold forged components ("**Speaker Parts**") to audio equipment makers ("**Speaker Parts Manufacturing Business").** Allied Advantage also currently owns the entire issued and paid-up share capital of AA Supply Chain Management Sdn Bhd ("**AA Supply Chain Management**"), which is engaged in the business of iron ore trading ("**Iron Ore Trading Business**").The Proposed Disposal represents a divestment of the Group's entire Speaker Parts Manufacturing Business and Iron Ore Trading Business.

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

2. INFORMATION ON BOSETECH

In respect of the information on Bosetech, the Company has not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

BOSETECH
Bosetech is a private company organized and incorporated in accordance with the provisions of the Company Law of the Republic of China, and has been duly registered with Taoyuan City Government on 22 December 2008. The sole director and shareholder of Bosetech is Eric Tseng Kai Yi. Bosetech is principally engaged in hardware, telecommunications equipment, electronic materials and precision instruments wholesale.

3. INFORMATION ON ALLIED ADVANTAGE

ALLIED ADVANTAGE

Allied Advantage is a wholly-owned subsidiary of the Company. It is a private company incorporated in Malaysia on 16 August 1995. Allied Advantage is principally engaged in the manufacturing of Speaker Parts. The directors of Allied Advantage are Hsieh Kuo-Chuan @ Jaimes Hsieh and Feng Tzu-Ju @ Julie Feng and the sole shareholder of Allied Advantage is the Company.

The directors of AA Supply Chain Management are Hsieh Kuo-Chuan @ Jaimes Hsieh and Feng Tzu-Ju @ Julie Feng and the sole shareholder of AA Supply Chain Management is Allied Advantage.

Jaimes Hsieh is currently the Executive Chairman of the Company and will be stepping down as Executive Chairman and from the Board of Directors of the Company upon Completion.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Speaker Parts Manufacturing Business has been difficult in recent years and the Company cannot see any pick up in outlook in this sector. Profitability in this business has been tepid and the most recent 6 months period ended 30 June 2017 shows a net loss of S$1,244,860.66. Additionally, the Iron Ore Trading Business has not been active in recent years. Given all these, the Board is of the view that the Proposed Disposal is beneficial to the Company and the shareholders of the Company ("**Shareholders**") especially since it will provide the Company with fresh funding of S$7,000,000 and remove S$535,551.17 from its liabilities.

The Proposed Disposal is undertaken as part of the reorganization of the Group, and will allow the Company to raise funds for uses and purposes as set out in Paragraph 5 below. With the Proposed Disposal, the Group will focus on its current businesses in EMS and W&P. The Group will also continue to look for attractive businesses in similar sectors that will complement its current businesses and help to improve the profitability of the Group.

5. USE OF PROCEEDS

Proceeds from the Proposed Disposal will be used:

(a) to expand the businesses recently acquired by the Company as elaborated in paragraph 1 of this announcement above;
(b) for the working capital of the Company and its subsidiaries; and/or
(c) for other investments and acquisitions that are complementary to its existing businesses.

6. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

6.1. Sale and Purchase

Pursuant to the Agreement, the Company will dispose 100% of the issued and paid-up capital of Allied Advantage free from all encumbrances and together with all rights attaching thereto to Bosetech for the Purchase Consideration.

6.2. Purchase Consideration

That the Purchase Consideration for the Agreement shall be satisfied and paid by Bosetech through the following manner:

(a) the transfer of S$7,000,000 cash by Bosetech to the escrow agent on the date of the signing of the Agreement. This payment shall be held in escrow by an escrow agent appointed by the Company and Bosetech to hold for and on behalf of the Company. Upon Completion, the Company and the Bosetech shall instruct the escrow agent to release the S$7,000,000 cash to the Company; and

(b) the transfer of the obligations of the intercompany loan of S$535,551.17 ("**Intercompany Loan**") from the Company to Bosetech in accordance with a novation agreement to be entered into between the Company and Bosetech upon Completion("**Novation Agreement**"). The Intercompany Loan is an amount owing from the Company to Allied Advantage. The Novation Agreement shall be executed at the same time as the Share Purchase Agreement, novating to Bosetech the Company's obligations to repay the intercompany loan to Allied Advantage.

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

6.3. Completion

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

(a) the obtaining of consent or approval for the Proposed Disposal from certain banks which have extended banking facilities to Allied Advantage; and

(b) the full discharge of the Company from the corporate guarantees given in relation to certain bank facilities.

Completion of the Proposed Disposal will take place within 10 business days following fulfillment or waiver of the Sale Conditions (or such other date as may be agreed in writing between the Company and Bosetech).

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

6.4. Value of the Sale Shares

(a) Net Asset Value

The net asset value of Allied Advantage for the 6 months period as at 30 June 2017 based on unaudited consolidated accounts is S$10,963,977.55 (based on 30 June 2017 exchange rate 1RM:S$0.32).

(b) Net Loss

The net loss attributable to Allied Advantage for the 6 months period ended 30 June 2017 based on unaudited consolidated accounts is S$1,244,860.66 (based on 30 June 2017 exchange rate 1RM:S$0.32).

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

6.5. Service Contracts

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

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1. Assumptions

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

7.2. Net Tangible Assets

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

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	56,498	52,534
Number of shares	1,319,636,961	1,319,636,961
NTA per share (Singapore cents)	4.28	3.98

For illustrative purposes and assuming the Proposed Disposal had been completed on 31 December 2016, the pro forma financial effects on the unaudited consolidated net tangible assets ("**NTA**") for the 12 months period ended 31 December 2016 are as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	19,451	14,284
Number of shares	1,059,038,211	1,059,038,211
NTA per share (Singapore cents)	1.84	1.35

7.3. Earnings

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

	Before the Proposed Disposal	**After the Proposed Disposal**
Net profit attributable to shareholders after tax from continuing operations (S$'000)	33,920	35,165
Number of weighted average shares	1,319,636,961	1,319,636,961
Earnings per share (Singapore cents)	2.57	2.66

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

	Before the Proposed Disposal	**After the Proposed Disposal**
Net loss attributable to shareholders after tax from continuing operations (S$'000)	1,218	1,469
Number of weighted average shares	205,441,839	205,441,839
Loss per share (Singapore cents)	0.59	0.72

7.4. Share Capital

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

7.5. Loss on Disposal

The Group is expected to record a loss on disposal attributable to the Proposed Disposal of approximately S$3,428,426.38 which is derived as follows:

	S$
Total Purchase Consideration	7,535,551.17
Less	
Net asset value of the assets to be disposed as at 30 June 2016	(10,963,977.55)
Loss on Disposal	**(3,428,426.38)**

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

Based on (i) the unaudited consolidated accounts of the Group for the 6 months period ended 30 June 2017 and (ii) the unaudited consolidated accounts of Allied Advantage for the 6 months period ended 30 June 2017, the relative figures for the Proposed Disposal computed on the bases set out in Rules 1006 (a) to (e) of the Catalist Rules are as follows:

Rule 1006	**Bases**	**Size of Relative Figures (%)**
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. Not applicable to an acquisition of assets	19.41%(1)
(b)	The net profits attributable to the assets disposed, compared with the Group's net profits	Not Meaningful (2)
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	11.38%(3)
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

(1) The unaudited consolidated net asset value of Allied Advantage is S$10,963,978 and the unaudited Group's net asset value is S$56,498,000.

(2) Not meaningful as the Group had a profit of S$33,920,000, whereas Allied Advantage had a consolidated loss of S$1,244,860.66.

(3) The market capitalisation was derived from the 1,421,366,461 shares of the Company in issue and the weighted average price of S$0.0466 per share as at 28 August 2017, being the last traded market day immediately preceding the date of the Agreement.

Based on the Relative Figures above, the Proposed Disposal is deemed to be a "Discloseable Transaction" as defined under Chapter 10 of the Catalist Rules and therefore does not require the approval of shareholders.

9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or substantial shareholders of the Company (other than in their capacity as directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed Disposal.

10. RESPONSIBILITY STATEMENT

The Directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the Directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

11. DOCUMENT FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this announcement.

12. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By order of the Board
AA GROUP HOLDINGS LTD.

Yau Woon Foong
Executive Director
28 August 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.

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

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