

AEI CORPORATION LTD.
(the “**Company**”)
(Company Registration No. 198300506G)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

- I. **THE PROPOSED CONSOLIDATION OF EVERY TEN (10) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE (“CONSOLIDATED SHARES”) IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (“PROPOSED SHARE CONSOLIDATION”)**
- **RECEIPT OF LISTING AND QUOTATION NOTICE FOR THE LISTING AND QUOTATION OF THE CONSOLIDATED SHARES; AND**
- II. **THE PROPOSED INTERNAL RESTRUCTURING OF THE COMPANY INVOLVING TRANSFERS OF BUSINESS, ASSETS AND PROPERTY FROM THE COMPANY TO WHOLLY-OWNED SUBSIDIARIES.**
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1. INTRODUCTION

The Board of Directors (the “**Directors**”) of the Company wishes to announce that –

- (a) the Company has received the in-principle approval from the SGX-ST to the listing and quotation of 27,119,659 Consolidated Shares; and
- (b) the Company proposes to undertake an internal restructuring of the Company involving transfers of business, asset and property from the Company to wholly-owned subsidiaries of the Company (the “**Proposed Internal Restructuring**”).

2. RECEIPT OF LISTING AND QUOTATION NOTICE FOR THE LISTING AND QUOTATION OF THE CONSOLIDATED SHARES

2.1 Background

The Directors refer to the announcement (“**Announcement**”) made by the Company on 13 March 2015 to the shareholder of the Company (“**Shareholders**”) in relation to the Proposed Share Consolidation.

2.2 In-principle approval to the listing and quotation of the Consolidated Shares

The Directors are pleased to announce that the SGX-ST has given its in-principle approval to the listing and quotation of up to 27,119,659 Consolidated Shares, subject to the Shareholders’ approval being obtained at the forthcoming extraordinary general meeting (“**EGM**”) to be convened with regards to the Proposed Share Consolidation, and compliance with the SGX-ST’s listing requirements.

Shareholders should note that the in-principle approval granted by the SGX-ST for the listing and

quotation of all the Consolidated Shares shall not be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company and/or its subsidiaries.

3. THE PROPOSED INTERNAL RESTRUCTURING

3.1 Details of the Proposed Internal Restructuring

The Company will enter into the sale and purchase agreement for Business and Assets ("**Business Transfer Agreement**") and the sale and purchase agreement for Property ("**SPA for Property**") with AEI Corporation (Singapore) Pte. Ltd. ("**AEICS**"), a wholly-owned subsidiary of the Company which was incorporated on 3 March 2015 and which has not undertaken any business activity since its incorporation, after the passing of resolutions by the Shareholders at the EGM approving the transactions contemplated by the Business Transfer Agreement and the SPA for Property.

Pursuant to the terms of the SPA for Property, the Company will sell and AEICS or its nominee being a wholly-owned subsidiary of the Company will purchase the Property. Under the SPA for Property, the "**Property**" refers to the land held under Lot 7833W Mukim 5 and bearing the postal address of 12 Penjuru Lane Singapore 609192.

Pursuant to the terms of the Business Transfer Agreement, the Company will sell and AEICS will purchase the Business and the Assets. Under the Business Transfer Agreement,

- (a) the "**Assets**" comprise equipment, stocks, other receivables and payables, benefits of contracts and leasing agreements which are assignable, and all of the assets of whatever nature (other than the Excluded Assets) employed in the Business at completion and as described in clause 2.2 of the Business Transfer Agreement;
- (b) the "**Business**" means the business of producing precision extruded profiles and a range of other precision metal components in order to meet its customers' stringent requirements; and
- (c) the "**Excluded Assets**" refers to all the statutory books and statutory records of the Company; the book debts and other debts of the Company together with all cheques, bills, notes and securities receivable for the same; trade receivables; the benefit of all business claims; any amounts recoverable by the Company in respect of taxation paid or payable by the Company in connection with matters or events occurring on or before completion; and all cash in hand or at the bank.

After the completion of the Proposed Internal Restructuring, the Company will retain the Excluded Assets and hold shares as an investment holding company.

The consideration for the sale of Business and Assets, and the Property shall be the sum of S\$13,420,146 and S\$5,831,200 respectively. The consideration sums are based on the book value recorded in the Company's book as of 31 December 2014. The considerations shall be satisfied by AEICS making an allotment of a total of 19,251,346 shares of S\$1 each to the Company or its nominee of the ordinary shares in the issued capital of AEICS (each credited as fully paid up) ("**AEICS Shares**"). Such AEICS Shares shall rank *pari passu* with the other existing ordinary shares in the share capital of AEICS and shall carry the right to receive in full all dividends declared, made or paid after the Completion Date.

3.2 Rationale for the Proposed Internal Restructuring

The purpose of the Proposed Internal Restructuring is to streamline the businesses within the Company and its group of subsidiaries and to manage the Group's business and financing risks

by creating distinct business units within the Group. Each business unit with its distinct business focus, specific business and finance risks will be better managed and contained within its unit. Furthermore, the centralised fund management will enable us to better focus and provide more effective management on the specific needs and risk of each business unit and enhance accountability within the Group.

The Company is currently not under any pressure from its banker and/or creditors to repay borrowings and/or debts owing by the Company.

3.3 **Approval required for the Proposed Internal Restructuring**

Section 160 of the Companies Act provides, amongst others, that the Directors shall not carry into effect any proposals for disposing of the whole or substantially the whole of the Company's undertaking or property unless these proposals have been approved by the Company in general meeting. As the Proposed Internal Restructuring would constitute a disposal by the Company of the whole of its Business to its wholly-owned subsidiaries, the approval of Shareholders will be required.

The Proposed Internal Restructuring is therefore subject to, *inter alia*, the approval of Shareholders by way of an ordinary resolution at an EGM of the Company to be convened.

3.4 **Conditions Precedent to the Proposed Internal Restructuring**

The Business Transfer Agreement stipulates that the following are conditions precedent to completion of the sale of the Business and Assets:

- (a) the passing of a resolution by the Shareholders at the EGM approving the transactions contemplated by the Business Transfer Agreement; and
- (b) the Company and AEICS having obtained all necessary consents, approvals and waivers required, including without limitation from the relevant authorities in Singapore (if any), for the sale and transfer of the Business and Assets to AEICS, and such consents, approvals and waivers not having been amended or revoked before Completion, and if any such consents, approvals or waivers are subject to conditions, such conditions being acceptable to AEICS.

The Business Transfer Agreement shall automatically terminate if any of the above conditions precedent has not been fulfilled or waived, as relevant, by 30 June 2015.

The SPA for Property stipulates that the following are conditions precedent to completion of the Proposed Internal Restructuring:

- (a) the passing of a resolution by the Shareholders at the EGM approving the transactions contemplated by the SPA for Property;
- (b) the title of the Property being in order and free from any Encumbrance (as defined in the SPA for Property);
- (c) JTC Corporation, being the lessor of the Property, having approved or consented to the sale of the Property by the Company to AEICS; and
- (d) the passing of a resolution by the shareholder of AEICS approving the transactions contemplated by the SPA for Property.

In the event that the conditions precedent to the SPA for Property are not satisfied, AEICS may rescind the SPA for Property by giving prior written notice to the Company and upon such notice being issued, the SPA for Property shall become null and void and of no further effect whatsoever.

Under Clause 12 of the SPA for Property, either the Company or AEICS shall be entitled to terminate the SPA for Property at any time by serving a notice in writing to the other party. Following such termination, the SPA for Property shall be null and void and neither party shall have any claim against the other save for any antecedent breaches. In the event that the SPA for Property is terminated, the transfer of Property will not form part of the Proposed Internal Restructuring.

3.5 Execution of the Business Transfer Agreement and the SPA for Property

The Business Transfer Agreement and the SPA for Property will be executed after obtaining the approval of Shareholders by way of an ordinary resolution at the EGM of the Company to be convened on 27 April 2015.

In the event that the terms in the Business Transfer Agreement and the SPA for Property deviate from the terms found in the letter to the Shareholders mentioned in Paragraph 4 of this Announcement, the Company will re-seek a fresh approval for the Proposed Internal Restructuring from the Shareholders.

3.6 Relative Figures Computed Pursuant to Rule 1006 of the Listing Manual

The relative figures for the Proposed Internal Group Restructuring (the “Relative Figures”) computed on the bases of assessment pursuant to Rule 1006 (a) to (e) of the Listing Manual are set out below, based on the latest audited consolidated accounts of the Group for the year ended 31 December 2014:

Rule	Bases	Relative Figures
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	29.0% ⁽¹⁾
1006(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits	(15.6)% ⁽²⁾
1006(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	52.0% ⁽³⁾
1006(d)	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 ⁽⁴⁾
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Note:

- (1) The net asset value of the asset to be disposed of, based on the latest announced audited accounts of the Group for the year ended 31 December 2014 prior to the date of the Business Transfer Agreement and the SPA for Property, is approximately S\$13 million. The audited Group net asset value as at the financial period ended 31 December 2014 is approximately S\$46 million.

- (2) The net profit before tax and minority interest attributable to the assets disposed of for the financial period ended 31 December 2014, being the latest announced audited profit and loss accounts prior to the date of the Business Transfer Agreement and the SPA for Property, is approximately S\$1.3 million. The audited net loss before tax and minority interest attributable to the Group for the financial period ended 31 December 2014 is approximately S\$8.2 million.
- (3) The aggregate value of the consideration for the Proposed Internal Restructuring is equivalent to S\$13 million. The market capitalisation of the Company as at 20 March 2015 (being the Latest Practicable Day since the Business Transfer Agreement and the SPA for Property are yet to be executed by the Company and AEICS) is S\$25.79 million.
- (4) No equity securities are being issued by the Company as consideration for the disposal of assets.

As the relative figures computed on the basis set out in Rule 1006(a), (b) and (c) of the Listing Manual exceed 20%, the Proposed Internal Group Restructuring constitutes a major transaction pursuant to Rule 1014 of the Listing Manual. However, the Proposed Internal Restructuring involves the Company and its wholly-owned subsidiaries and there will not be any third parties involved. As such, there will be no net gains or losses and no excess or deficit over the book value at the Group level (apart from transactional costs such as professional fees), as well as no significant impact on the net asset value of the Group, as a result of the Proposed Internal Restructuring.

3.7 Financial effects of the Proposed Internal Restructuring

Under the Proposed Internal Restructuring, the Business and Assets, and the Property are being transferred to wholly-owned subsidiaries of the Company. As there is no change in the ultimate ownership of the Business and Assets, and the Property by the Group under the Proposed Internal Restructuring, it is not necessary to present financial effects of the Proposed Internal Restructuring.

3.8 Interests of Directors and controlling Shareholders

None of the Directors or controlling shareholder of the Company (other than in their capacity as directors or shareholders of the Company) has any interests (direct or indirect) in the Proposed Internal Restructuring.

3.9 Service Contracts

No person will be appointed as director of the Company in connection with the Proposed Internal Restructuring and no service contracts in relation thereto will be entered into by the Company.

4 DESPATCH OF LETTER

A letter containing, *inter alia*, the notice of EGM and further information on the Proposed Share Consolidation and the Proposed Internal Restructuring will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

5 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the final draft Business Transfer Agreement and the final draft SPA for Property are available for inspection during normal business hours at the Company's registered address at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD

Ngiam Zee Moey
Company Secretary

6 April 2015