

PROPOSED DISPOSAL OF THE COMPANY'S EXISTING BUSINESS

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of AEI Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 10 November 2019 entered into a conditional business sale and purchase agreement (“**Disposal SPA**”) with 3PLE1 Holdings Pte. Ltd. (“**Purchaser**”) and Tan Chu En Ian (“**Purchaser’s Guarantor**”).

Under the Disposal SPA, the Company shall dispose of, and the Purchaser shall acquire, the Company’s business and liabilities in the manufacture, import, and export of aluminium extrusion sections, metal materials, and other related products, existing as at the Effective Date (as defined in Section 4.5(b) below), as a going concern (the “**Vendor Business**”) to the Purchaser for an aggregate consideration (“**Consideration**”) comprising (i) the sum of S\$4 million and (ii) such amount equivalent to the AEI Corporate Guarantee Liabilities (as defined below), if any, subject to the terms and conditions of the Disposal SPA (“**Proposed Disposal**”).

2. RATIONALE

The Company has been exploring investment opportunities or acquisitions of other businesses in view of the lacklustre outlook of the Group’s core Electronics & Precision Engineering segment. The Proposed Disposal is part of the Group’s restructuring exercise and business transition into new businesses to enhance income streams. The Proposed Disposal will streamline the Group’s operations and facilitate the Group’s diversification into new businesses. As the Group intends to use AEI Trading and Investments Pte. Ltd. (an existing subsidiary of the Company) as the vehicle to explore new businesses, it is excluded from the Proposed Disposal.

3. INFORMATION RELATING TO THE PURCHASER

Shareholders should note that information relating to the Purchaser in this paragraph and elsewhere in this Announcement was provided by the Purchaser. The Company and the Directors have not independently verified the accuracy and correctness of such information herein.

The Purchaser is a company incorporated with limited liability in Singapore with its principal business being investment holding. Its registered office is at 151 Chin Swee Road #09-13 Manhattan House Singapore 169876. The directors of the Purchaser are Mr Tan Chu En Ian and Ms Sinta Muchtar. The shareholders of the Purchaser are Mr Tan Chu En Ian, Ms Sinta Muchtar and their associates. Mr Tan Chu En Ian is also the Purchaser’s Guarantor under the Disposal SPA.

4. KEY TERMS OF THE PROPOSED DISPOSAL

4.1 Sale and Purchase; Vendor Business

Subject to the terms and conditions of the Disposal SPA, the Company shall dispose, and the Purchaser shall acquire, the Vendor Business, which includes without limitation, the following:

- (a) the Company's entire shareholding interest in AEI (China) Holdings Pte. Ltd. and AEI Corporation (Singapore) Pte. Ltd. (collectively, the "**Vendor Business Subsidiaries**"), together with all rights, benefits and entitlements attaching thereto as at the Effective Date and thereafter;
- (b) goodwill, stocks, contracts, book debts, plant and equipment, liabilities which relates to the Vendor Business; and
- (c) all other assets owned by the Company and used wholly or mainly in the ordinary course of the Vendor Business,

(for the avoidance of doubt, excluding the Excluded Assets (as defined below)) as a going concern on the Completion Date (as defined below), but taking effect from and including the Effective Date, for the Consideration (as described in Section 4.2). The sale of the Vendor Business shall be on an "as-is-where-is" basis and all warranties or conditions whether express or implied, statutory or otherwise, as to the state of the Vendor Business or their condition, financial, business or otherwise, are excluded.

The Vendor Business shall not include the following held by the Company:

- (a) the entire shares in the share capital of AEI Trading and Investments Pte. Ltd.;
- (b) the property at 12 Penjuru Lane, Singapore 609192; and
- (c) such bank accounts (including all cash held therein) of the Company that are unrelated to the Vendor Business,

(collectively, the "**Excluded Assets**").

4.2 Consideration

- (a) Amount

The Consideration payable by the Purchaser under terms of the Disposal SPA shall be the sum of:

- (i) S\$4 million; and
- (ii) such amount equivalent to the aggregate amount paid as at Completion Date by the Company to any creditors arising from or in connection with the corporate guarantees provided by the Company ("**AEI Corporate Guarantees**") in respect of loan obligations of its subsidiaries (the "**AEI Corporate Guarantee Liabilities**").

- (b) Payment Schedule

The Consideration shall be payable by the Purchaser to the Vendor as follows:

- (i) 50% of the Consideration, on Completion; and
- (ii) 50% of the Consideration, no later than such date falling six (6) months after the date of completion of the Proposed Disposal ("**Completion Date**").

(c) Basis

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser and agreed on a willing-buyer and willing-seller basis, taking into consideration, *inter alia*, the following factors:

- (i) the net tangible assets of the Vendor Business Subsidiaries; and
- (ii) the liability of the Company (if any) arising from or in connection with the AEI Corporate Guarantees.

4.3 Key Conditions Precedent

Completion of the Proposed Disposal ("**Completion**") shall be condition upon satisfaction, fulfilment or waiver, as the case may be, of certain conditions precedent ("**Conditions Precedent**") on or before the Long-Stop Date (as defined below), including but not limited to the following key conditions precedent:

- (a) the AEI Corporate Guarantees being irrevocably and unconditionally cancelled, terminated, released and discharged in full without any liability to the Company or shareholders of the Company whatsoever, to the reasonable satisfaction of the Company;
- (b) all necessary approvals, consents and waivers as may be required or appropriate for or in connection with the sale of the Vendor Business on the terms set out in the Disposal SPA, from all relevant government bodies, exchange, tribunal or entity in any jurisdiction having been obtained by the Company, and not having been withdrawn or revoked or expired prior to completion of the Proposed Disposal;
- (c) no relevant authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might make the Proposed Disposal and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
- (d) the delivery by the Company of a duly executed irrevocable letter of undertaking from New Impetus Strategy Fund ("**Undertaking Shareholder**") pursuant to which the Undertaking Shareholder shall undertake to exercise or procure the exercise at such extraordinary general meeting of the Company, all voting rights attached to the Shares that the Undertaking Shareholder holds, in favour of the resolution approving the Proposed Disposal and such other transactions in connection therewith and incidental thereto; and

- (e) the representations and warranties of the Company and the Purchaser set out under the Disposal SPA, as the case may be, being true and accurate in all material respects as of the date of the Disposal SPA and as at the Completion Date.

4.4 Long-Stop Date

If any of the Conditions Precedent are not satisfied, fulfilled or waived (as the case may be) on 31 December 2020 (the “**Long-Stop Date**”), the Disposal SPA (save for the Surviving Clauses) shall terminate and the obligations of the Parties under the Disposal SPA shall *ipso facto* cease and determine thereafter, and no Party shall have any claim against the other Party for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Disposal by reason of such termination, save for any antecedent breach of the terms of the Disposal SPA and/or each party’s respective liability for the payment of costs and expenses under the Disposal SPA.

4.5 Completion and Effective Date

Subject to the Conditions Precedent being satisfied, fulfilled or waived (as the case may be), completion of the Proposed Disposal shall take place on a date falling no later than fourteen (14) business days after the later of the satisfaction or waiver of the Conditions Precedent (or such other date as the Company and Purchaser may agree in writing) (“**Completion Date**”).

The Company and the Purchaser has agreed that:

- (a) the Purchaser shall be deemed to have (i) been the beneficial owner of the Vendor Business with effect from 31 October 2019 at 2359 hours (Singapore time) (“**Effective Date**”), and (ii) assumed the entire assets and liabilities relating to the Vendor Business, each with effect from the Effective Date; and
- (b) the Company shall be deemed to have held the Vendor Business (including all rights, liabilities, benefits and entitlements relating thereto) on trust for the Purchaser between the Effective Date and the Completion Date.

Please see [Appendix 1](#) for the Group structure before and after completion of the Proposed Disposal.

4.6 Indemnity

Subject to Completion, the Purchaser has undertaken to fully indemnify the Company against all liabilities which may be suffered or incurred by the Company, its respective officers, directors, employees or agents on or after the Effective Date as a result of or in connection with, *inter alia*, the Vendor Business, any AEI Corporate Guarantees and any breach of representations, warranties and undertakings by the Purchaser contained in the Disposal SPA.

4.7 Purchaser’s Guarantor

The Purchaser’s Guarantor unconditionally and irrevocably, as principal obligor, guarantees to the Company the due and punctual performance and observance by the Purchaser of all its obligations, commitments, undertakings, warranties and indemnities under the Disposal SPA.

5. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a director 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.

6. INTERESTED PERSON TRANSACTION

6.1 Proposed Disposal as an Interested Person Transaction

Mr Tan Chu En Ian and Ms Sinta Muchtar are both directors and shareholders of the Purchaser. Mr Tan Chu En is an executive director and chief executive officer of the Company, while Ms Sinta Muchtar is an executive director of the Company. Accordingly, the Proposed Disposal constitutes an “interested person transaction” pursuant to Chapter 9 of the Listing Manual.

6.2 Materiality Thresholds under Chapter 9 of the Listing Manual

Under Chapter 9 of the Listing Manual, Shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding, 5% of the Group’s latest audited NTA.

As at the date of this announcement, the outstanding credit facilities subject to the AEI Corporate Guarantees are S\$2,436,000. Assuming the AEI Corporate Guarantee Liabilities amount to S\$2,436,000, the aggregate Consideration will amount to S\$6,436,000 (“**Relevant Consideration**”) which represents 12.28% of the Group’s latest audited NTA of S\$52,427,000¹ as at 31 December 2018. Accordingly, as the value of the Proposed Disposal (based on the Relevant Consideration) exceeds 5% of the Group’s latest audited NTA, the Proposed Disposal will be subject to Shareholders’ approval in a general meeting.

6.3 Current and Ongoing Interested Person Transactions

Save for the Proposed Disposal, the Group has not entered into any transactions with the Purchaser, Mr Tan Chu En Ian (other than in his capacity as executive director and chief executive officer of the Company) or Ms Sinta Muchtar (other than in her capacity as executive director), during the current financial year beginning 1 January 2019 and up to the date of this Announcement.

The aggregate value of all interested person transactions entered into by the Group for the current financial year beginning 1 January 2019 up to the date of this Announcement is approximately S\$1,503,123.

6.4 Independent Financial Adviser

Pursuant to Chapter 9 of the Listing Manual, the Company will be appointing an independent financial adviser (“**IFA**”) to advise the independent directors of the Company in relation to the Proposed Disposal.

6.5 Audit Committee’s Statement

The Audit Committee of the Company will obtain an opinion from the IFA on the Proposed Acquisition before forming its view, which will be disclosed in the circular to shareholders, as to

¹ As at the date of this Announcement, the Group’s latest available audited NTA is based on the Group’s audited accounts as at 31 December 2018.

whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

7. LISTING MANUAL COMPUTATIONS

7.1 Relative Figure

The relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

<u>Rule 1006(a):</u> Net asset value of assets to be disposed of, compared with the Group's net asset value	23.5% ⁽¹⁾
<u>Rule 1006(b):</u> Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	72.7% ⁽²⁾
<u>Rule 1006(c):</u> Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	17.2% ⁽³⁾
<u>Rule 1006(d):</u> 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
<u>Rule 1006(e):</u> 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) "Net assets" means total assets less total liabilities. The net asset value of the Vendor Business and the Group for the six-month period ended 30 June 2019 (being the Company's latest announced consolidated accounts) is S\$11,752,000 and S\$50,049,000, respectively.
- (2) "Net profits" mean profit or loss before income tax, minority interests and extraordinary items. The net profits of the Vendor Business and the Group for the six-month period ended 30 June 2019 (being the Company's latest announced consolidated accounts) is (S\$1,729,000) and (S\$2,380,000), respectively. As both the Vendor Business and the Group were loss-making, this profit test is presented merely for illustration purposes only.
- (3) Based on the Relevant Consideration (being S\$6,436,000) for the Proposed Disposal and the Company's market capitalisation as at 8 November 2019, being the market day immediately preceding the date of the Disposal SPA. The market capitalisation of the Company is derived by multiplying 56,732,159 ordinary shares in issue by the closing traded price of S\$0.66 as at 8 November 2019, being the last market day before the announcement.

7.2 Major Transaction

As the relative figures computed under Rules 1006(a) and 1006(b) of the Listing Manual exceeds 20%, the Proposed Disposal therefore constitutes a “Major Transaction” as defined under Chapter 10 of the Listing Manual and is subject to the approval of Shareholders in a general meeting.

8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects as set out below are prepared in accordance with relevant accounting standards to illustrate the financial effects of the Proposed Disposal. They are presented strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or its subsidiaries.

The financial effects of the Proposed Disposal are prepared based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018 (“**FY2018**”) and the following assumptions:

- (a) the financial effects of the Proposed Disposal on the Group’s net tangible assets (“**NTA**”) is computed assuming that the Proposed Disposal was completed on 31 December 2018;
- (b) the financial effects of the Proposed Disposal on the Group’s earnings per share (“**EPS**”) is computed assuming that the Proposed Disposal was completed on 1 January 2018;
- (c) there are no AEI Corporate Guarantees Liabilities; and
- (d) costs and expenses in connection with the Proposed Disposal are disregarded for the purposes of calculating the financial effects.

8.1 Net tangible assets (“**NTA**”)

	As at 31 December 2018	Immediately following completion of Proposed Disposal
NTA of the Group (S\$)	52,427,000	43,479,000
Number of Shares excluding Treasury Shares	56,732,159	56,732,159
NTA Per Share (S\$)	0.92	0.77

8.2 Earnings per Share (“**EPS**”)

	FY2018	Immediately following completion of Proposed Disposal
Net profit/ (loss) of the Company and its subsidiaries for FY2018 (S\$)	(5,902,000)	(9,542,000) ¹
Weighted average number of Shares excluding Treasury Shares	47,321,063	47,321,063
¹ Net profit/(loss) of the vendor business disposed computed at Company Level which excludes the gain on intercompany owing waiver.		
Net profit/ (loss) per Share (S\$) - Basic and diluted	(0.12)	(0.20)

8.3 Share Capital

The Proposed Disposal will not have any impact on the issued share capital and shareholding structure of the Company as the Proposed Disposal does not involve the allotment and issuance of any new Shares in the Company and the Consideration is to be satisfied in cash only.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER

Under the terms of the Disposal SPA, Completion is condition upon, *inter alia*, the delivery by the Company of a duly executed irrevocable letter of undertaking from the Undertaking Shareholder, as described in paragraph 4.3(d) above. Mr Sun Quan, the Non-Executive Chairman of the Company, is deemed interested in the Shares held by the Undertaking Shareholders as he has a controlling interest in the fund manager of the Undertaking Shareholder.

Save for Mr Tan Chu En Ian and Ms Sinta Muchtar, none of the directors (other than in his capacity as director or shareholder of the Company, as the case may be) of the Company has any interest, direct or indirect in the Proposed Disposal. To the best of the knowledge of the Board, save as disclosed herein, there are no substantial shareholders in the Company who have any interest, direct or indirect, in relation to the Proposed Disposals.

10. DOCUMENTS FOR INSPECTION.

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

11. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Proposed Disposal is subject to numerous conditions. There is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will be completed or that no changes will be made to the respective terms thereof. 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.

12. RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (other than information relating to the Purchaser) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (other than information relating to the Purchaser) are fair and accurate in all material respects as at the date hereof and that this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where any information in this Announcement has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source or provided by the Purchaser, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from such sources and/or reproduced in this Announcement in its proper form and context.

13. FURTHER ANNOUNCEMENTS

Further announcements will be made by the Company with respect to the Proposed Disposal as and when appropriate.

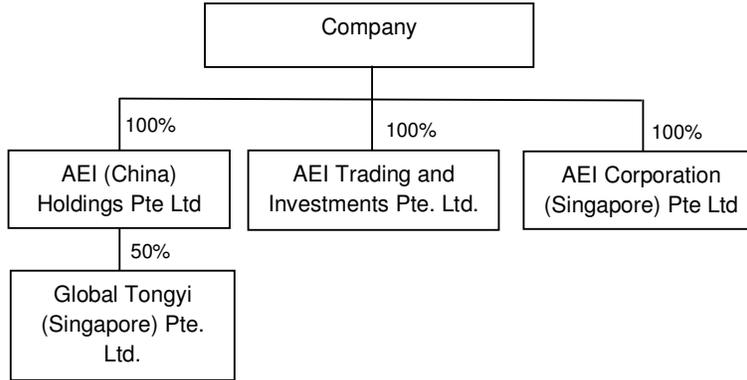
By Order of the Board

Mr. Sun Quan
Non-Executive Chairman

11 November 2019

APPENDIX 1

Before completion of Proposed Disposal



After completion of Proposed Disposal

