

PROPOSED DISPOSAL OF INDIRECT SUBSIDIARY

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of AEI Corporation Ltd. ("**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the subsidiary of the Company, Form Tecknik Pte. Ltd. ("**Vendor**") has on 14 December 2015 entered into a sale and purchase agreement (the "**Agreement**") with Lik Sang Industrial Company Limited ("**Purchaser**") for the proposed disposal by the Vendor of 100.0% of the equity interest in Form Tecknik (Shanghai) Co. Ltd. ("**FTS**") to the Purchaser (the "**Proposed Disposal**"). Upon completion of the Proposed Disposal ("**Completion**"), the Company will cease to have any shareholding interest in FTS.

2. INFORMATION ON FTS AND THE PURCHASER

- 2.1 FTS, a wholly foreign-owned enterprise in the People's Republic of China, is principally engaged in the business of manufacturing automotive and industrial components in China.
- 2.2 FTS is a wholly-owned subsidiary of the Vendor, which is a private company limited by shares incorporated under the laws of the Republic of Singapore. AEI (China) Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, in turn owns 90.0% of the issued share capital in the Vendor.
- 2.3 The Purchaser is not related to the Company, its Directors or its substantial shareholders.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is a good opportunity for the Company to dispose of an underperforming asset for valuable consideration and is part of the Company's plan to strengthen its balance sheet. The proceeds would also provide working capital for the Company's ongoing operational expense

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

The terms of the Proposed Disposal are set out in the Agreement. A summary of the principal terms of the Proposed Disposal is set out in this section.

4.1 Consideration

- 4.1.1 The aggregate consideration for the sale of the 100% equity interest in FTS is RMB3,000,000, equivalent to S\$653,737 as at the date of this Announcement (the "**Consideration**"), subject to adjustments in accordance with the terms of the Agreement.

- 4.1.2 The Consideration was arrived at following negotiations between the Vendor and the Purchaser taking into account the sum of RMB3,111,779 which is the net asset value of FTS as at 31 October 2015 excluding (i) amounts owing by FTS to its associated company of RMB5,754,983 and holding company of RMB12,557,260 and (ii) the value of the inventory (including raw materials, work-in-progress and finished goods) ("**Inventory**") owned by FTS as at 31 October 2015 amounting to RMB3,908,610. The ownership of the inventory will be transferred from FTS to the Vendor on the Completion Date.
- 4.1.3 The Consideration will be fully satisfied by payment in cash, of which 20.0% will be payable by the Purchaser to the Vendor within five (5) working days from the date of the Agreement. The remaining 80.0% will be payable by the Purchaser to the Vendor on the date of Completion ("**Completion Date**").

4.2 **Conditions Precedent under the Agreement**

Pursuant to the terms of the Agreement, the Proposed Disposal is conditional upon *inter alia* the following:-

- 4.2.1 The representations and warranties given by the Purchaser and the Vendor remaining true, accurate and complete from the date of the Agreement to the Completion Date except where the Agreement expressly requires otherwise;
- 4.2.2 The absence of any effective injunction or similar decree which may prohibit or restrict the Purchaser from completing the transaction under the Agreement; and
- 4.2.3 The terms of the Proposed Disposal and Agreement having been fulfilled and the governmental approval, authorisation or consent in the People's Republic of China required by the Vendor and the Purchaser to effect the Proposed Disposal having been obtained.

4.3 **Completion under the Agreement**

The Completion Date shall be the date when the Shanghai Administration for Industry and Commerce issues a new operating license to FTS.

5. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

- 5.1 The financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal. The financial effects of the Proposed Disposal set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2014 ("**FY2014**") unless otherwise stated.

5.1.1 **Net tangible assets ("NTA")**

The effects of the Proposed Disposal on the audited consolidated NTA per share of the Group as at 31 December 2014, assuming that the Proposed Disposal had been effected on 31 December 2014, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA ⁽¹⁾ (S\$'000)	46,207	49,281
Number of shares ('000) ⁽²⁾	251,197	251,197
Consolidated NTA per share (cents)	18.4	19.6

Notes:

- (1) NTA is computed based on total assets less total liabilities and intangible assets. It includes selling expenses and proceeds from realization of inventory.
- (2) Number of shares excludes (i) 20,000,000 placement shares completed on 15 January 2015 and (ii) Share consolidation of every 10 existing issued ordinary shares effective 11 May 2015.

5.1.2 Earnings per Share ("EPS")

The effects of the Proposed Disposal on the audited consolidated EPS of the Group for FY2014, assuming that the Proposed Disposal had been effected at the beginning of FY2014, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Profit (Loss) attributable to equity holders of the Company (S\$'000)	(7,893)	(3,767) ⁽³⁾
Weighted average number of Shares ('000)	251,197	251,197
Basic EPS (cents)	(3.14)	(1.5)

Notes:

- (3) Loss attributable to equity holders of the Company after the proposed disposal includes impairment prior to disposal, selling expenses and proceeds from realization of inventory. It excludes FTS's FY2014 operating losses.

5.2 Other financial information

Based on the latest announced consolidated financial statements of the Group for the six (6) months ended 30 June 2015 ("1H2015"), the net asset value attributable to the 100.0% equity interest in FTS is S\$632,000 which excludes the value of the inventory as the ownership of the inventory will be transferred from FTS to the Vendor on the Completion Date and the amounts owing by FTS to its associated company and holding company following the negotiation between the Vendor and the Purchaser. The net loss attributable to the 100.0% equity interest in FTS is S\$185,000 for the six months ended 30 June 2015. The excess of the proceeds from the Proposed Disposal over the net asset value attributable to the 100.0% equity interest in FTS will be approximately S\$21,780. The gain on disposal for the Proposed Disposal, taking into consideration that the proposed disposed asset had been fully written off prior to disposal and the realisation of inventory, will be approximately S\$927,000.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

6.1 The relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the Group's latest announced consolidated financial statements for 1H2015, are as follows:

Rule 1006(a)	Net asset value ⁽¹⁾ of the 100.0% equity interest in FTS, compared with the Group's net asset value	1.4%
Rule 1006(b)	Net profits ⁽²⁾ attributable to the 100.0% equity interest in FTS, compared with the Group's net profits	2.3%
Rule 1006(c)	Consideration received for the Proposed Disposal compared with the Company's market capitalisation	3.0%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	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) Net asset value disposed excludes inventory and amounts owing to associated company and holding company following the negotiation between the vendor and purchaser.
- (2) For this purpose, the "net profits" is defined as profit or loss before income tax, minority interests and extraordinary items.

6.2 As the relative figures computed on the bases set out in Rule 1006(b) and Rule 1006(c) of the Listing Manual above amount to less than 5.0%, the Proposed Disposal constitutes a non-discloseable transaction under Chapter 10 of the Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Disposal.

8. 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 for a period of three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD

Ngiam Zee Moey
Company Secretary

16 December 2015