

PROPOSED SALE OF 12 PENJURU LANE

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, pursuant to an option agreement (“**Option Agreement**”) entered into between the Company (the “**Vendor**”) and Rejoice Container Services (Pte) Ltd (the “**Purchaser**”) whereby the Vendor granted an option to the Purchaser to purchase from the Vendor (the “**Option**”), the Vendor’s existing premises at 12 Penjuru Lane Singapore 609192 (the “**Property**”), the Purchaser had on, 31 August 2018, exercised the Option to purchase the Property (the “**Proposed Sale**”).

2. THE PROPOSED SALE

2.1. Information on the Property

The Property is a single-storey property located at 12 Penjuru Lane, Singapore 609192. The land was leased from the Jurong Town Corporation (“**JTC**”) with a tenure of 30 years from 1 June 2013. It was used by the Group as its main venue for manufacturing/extrusion activities.

2.2. Sale Consideration

Pursuant to the Option Agreement, the consideration for the Property is S\$19 million (“**Sale Consideration**”), excluding goods and services tax, to be fully satisfied in cash. The Sale Consideration shall be payable by the Purchaser to the Vendor in the following manner:

- (a) an initial deposit of S\$190,000 (“**Option Fee**”), equivalent to 1% of the Sale Consideration, which had been paid by the Purchaser to the Vendor;
- (b) a further deposit of S\$760,000 (“**Exercise Moneys**”), equivalent to 4% of the Sale Consideration of which:-
 - (i) \$380,000, equivalent to 2% of the Sales Consideration, has been paid by the Purchaser to the Company’s legal counsel Drew & Napier LLC as escrow agent (“**Escrow Agent**”) pending completion of the Proposed Sale (“**Completion**”);
 - (ii) \$380,000, equivalent to 2% of the Sales Consideration, to be payable to the Escrow Agent within two months of the exercise of the Option, pending Completion; and
- (c) the balance of S\$18,050,000, equivalent to 95% of the Sale Consideration, shall be payable by the Purchaser to the Vendor on completion of the Proposed Sale (“**Completion**”).

2.3. Basis of Sale Consideration

The Sale Consideration was arrived at based on arm's length negotiation between the Vendor and the Purchaser, taking into consideration, *inter alia*, the prevailing property market conditions in the area.

2.4. Rationale and Use of Proceeds

Following the approval by shareholders at the extraordinary general meeting held on 27 March 2018 of the Group's proposed diversification into infrastructure business ("**Diversification**"), the Proposed Sale is in line with the Group's overall plans to prepare for the Diversification. As the Group has previously conducted an exercise to streamline its business and has consolidated its operation at its new factory, the Proposed Sale is not expected to disrupt any operations of the Group's existing business. The Proposed Sale will also free up financial resources to help support the Group's plans for the Diversification.

The Company intends to use proceeds of the Proposed Sale to fund future acquisitions of infrastructure assets, as and when opportunities arise, and for the working capital of the Company.

2.5. Book value of Property and excess of Sale Price over book value

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017, the book value of the Property was approximately S\$2,000,000 as at 31 December 2017. The excess of the Sale Consideration over the book value of the Property amounts to approximately S\$17,000,000. After deducting the estimated expenses in connection with the Proposed Sale of approximately S\$220,000, the net gain on the Proposed Sale is approximately S\$16,780,000.

2.6. Commission

In consideration of the services of ERA Realty Network Pte Ltd ("**ERA**") and R H Property Pte Ltd ("**RH**") (collectively, the "**Real Estate Agencies**") in marketing the Property and introducing the Purchaser to the Vendor, the Vendor shall pay (i) ERA a commission representing 0.35% of the Sale Consideration; and (ii) RH a commission representing 0.65% of the Sale Consideration, upon Completion.

To the best knowledge of the Directors, none of the Real Estate Agencies has any other connections (including business relationships) with the Company, its Directors and substantial shareholders.

2.7. Key Terms of the Proposed Sale

2.7.1. **Status of Property.** Subject to the terms and conditions of the Option Agreement, the Property is sold subject to:

- (a) all chief, quit and other rents and outgoings, all incidents of tenure, rights and easements affecting any or all of the Property; and
- (b) the terms, covenants and conditions set forth in the JTC lease documents and all restrictive and other terms, covenants and conditions affecting any or all of the Property.

Subject to the abovementioned paragraphs (a) and (b), the title to the Property shall be free from encumbrances on Completion.

2.7.2. **Key Conditions Precedent.** The Proposed Sale is conditional upon the fulfilment and satisfaction of, *inter alia*, the following key conditions precedent:

- (a) the approval (“**JTC Sale Approval**”) being obtained from the **JTC** for the sale of the Property by the Vendor to the Purchaser in accordance with the Option Agreement;
- (b) the approval of the shareholders of the Vendor for the Proposed Sale (the “**Vendor’s Shareholders’ Approval**”);
- (c) in the event the Purchaser’s business plan submitted to JTC provides for demolition of certain buildings on the property and conversion of space to open yard storage facilities for transshipment containers (“**Building Works**”), the approvals (the “**Building Approvals**”) from JTC and the Urban Redevelopment Authority for the Building Works;
- (d) the approval and admittance of Legion Consortium Limited (the “**Listing Entity**”), the holding company of the Purchaser’s parent company, on the official list of The Stock Exchange of Hong Kong Limited (“**HKEX**”); and
- (e) the Purchaser receiving satisfactory replies to the legal requisitions set out in the Option Agreement.

In the event the conditions precedent are not obtained by 30 November 2018 (or such other date as may be mutually agreed by the Vendor and Purchaser) (“**Target Date**”), either the Purchaser or the Vendor may elect by notice in writing to the other Party to terminate the Proposed Sale and upon service of such written notice on the other party, the Proposed Sale shall be deemed terminated and, among other things, the Option Fee and Exercise Moneys shall be refunded to the Purchaser free of interest and without any compensation or deduction. None of the parties shall have any claim or demand against the other for damages, costs or otherwise save in respect of any antecedent breach of any provisions of the Option Agreement.

2.7.3. **Completion.** Completion of the Proposed Sale shall take place on such date falling 4 weeks (or such shorter period as mutually agreed by the Parties) after the latest of the following:

- (a) (where environmental baseline study (“**EBS**”) is not required by JTC as a condition of the JTC Sale Approval) the date when the Vendor provides written notice to the Purchaser after it has received the last of the JTC Approvals;
- (b) (where EBS is required by JTC as a condition of the JTC Sale Approval and no decontamination works is required) the date of JTC’s confirmation that the EBS is acceptable;
- (c) (where EBS is required by JTC as a condition of the JTC Sale Approval and decontamination works is required) the date of JTC’s confirmation that the decontamination works have been completed to its satisfaction;
- (d) the date of the Vendor’s Shareholders’ Approval;
- (e) (where the Building Approvals are required to be obtained pursuant to paragraph 2.7.2(c) above) the date of the Building Approvals; and
- (f) the date of the admittance of the Listing Entity on the official list of HKEX.

3. LISTING MANUAL COMPUTATIONS

3.1. Relative Figures

The relative figures of the Proposed Sale 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 | 3.4% ⁽¹⁾ |
| <u>Rule 1006(b):</u> Net profits attributable to the assets disposed of, compared with the Group's profits | Not applicable |
| <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 | 47.8% ⁽²⁾ |
| <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) The latest announced net asset value of the Group for the six-months period ended 30 June 2018 was approximately S\$55,170,000. The net asset value of the Property as at 30 June 2018 was S\$1,893,000.
- (2) Based on the Sale Consideration and the Company's market capitalisation as at 28 August 2018, being the last market day on which the Company's shares were traded prior to the date of exercise of the Option by the Purchaser. The market capitalisation of the Company is derived by multiplying 56,732,159 ordinary shares (excluding treasury shares) in issue by the volume-weighted average traded price of S\$0.70 on 28 August 2018. There were no trading of the Company's shares on 29 and 30 August 2018.

3.2. Major Transaction. As the relative figures computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Sale therefore constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual.

4. FINANCIAL EFFECTS OF THE PROPOSED SALE

The financial effects of the Proposed Sale are set out in [Appendix A](#).

5. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Sale. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER

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 Sale. To

the best of the knowledge of the Board, there are no substantial shareholders in the Company who have any interest, direct or indirect, in relation to the Proposed Sale.

7. DOCUMENTS FOR INSPECTION

A copy of the Option 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.

8. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Proposed Sale is subject to numerous conditions. There is no certainty or assurance as at the date of this Announcement that the Proposed Sale 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.

9. 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 and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein 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 Sale, 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, 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.

By Order of the Board

Tan Chu En Ian
Executive Director and Chief Executive Officer

31 August 2018

APPENDIX A FINANCIAL EFFECTS

1. Basis and Assumptions

The financial effects as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or its subsidiaries, prepared according to the relevant accounting standards, following the Proposed Sale.

The financial effects of the Proposed Sale are prepared based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“FY2017”) and the following assumptions:

- (a) the Company’s allotment and issuance of 29,612,500 ordinary shares resulting in an increase of the Company’s total number of issued and paid-up shares to 56,732,159 shares (as announced on 27 April 2018), was completed on 31 December 2017;
- (b) the Group’s NTA was computed assuming that the Proposed Sale was completed on 31 December 2017;
- (c) the Group’s EPS/LPS was computed assuming that the Proposed Sale was completed on 1 January 2017; and
- (d) expenses in connection with the Proposed Sale are disregarded for the purposes of calculating the financial effects.

2. Share Capital

| | Before Proposed Sale | After Proposed Sale |
|--|----------------------|---------------------|
| Number of Shares including Treasury Shares ('000) | 57,732 | 57,732 |
| Number of Treasury Shares ('000) | 1,000 | 1,000 |
| Number of Shares excluding Treasury Shares ('000) | 56,732 | 56,732 |
| Issued and Paid-up Share Capital (\$'000) | 71,977 | 71,977 |

3. Net tangible assets (“NTA”)

| | Before Proposed Sale | After Proposed Sale |
|--|----------------------|---------------------|
| NTA of the Group (\$'000) | 58,324 | 75,104 |
| Number of Shares excluding Treasury Shares ('000) | 56,732 | 56,732 |
| NTA Per Share (\$) | 1.03 | 1.32 |

4. Earnings per Share (“EPS”) / Loss per Share (“LPS”)

| | <u>Before Proposed Sale</u> | <u>After Proposed Sale</u> |
|---|-----------------------------|----------------------------|
| Net profit / (loss) of the Company and its subsidiaries for FY2017 (S\$'000) | (9,539) | 7,241 |
| Weighted average number of Shares excluding Treasury Shares ('000) | 56,732 | 56,732 |
| Net Earnings / (Net loss) per Share (S\$) - Basic and diluted | (0.17) | 0.13 |