

LETTER DATED 12 April 2017

APPENDIX

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of AEI Corporation Ltd. (the "**Company**"), you should immediately forward this Letter, the Notice of Annual General Meeting and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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AEI CORPORATION LTD.

(Incorporated in Singapore)
(Company Reg. No. 198300506G)

LETTER TO SHAREHOLDERS

in relation to

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

IMPORTANT DATES AND TIMES:

Last Date and Time for Lodgement of Proxy Forms	:	25 April 2017 at 9.00 a.m.
Date and Time of Annual General Meeting	:	27 April 2017 at 9.00 a.m.
Place of Annual General Meeting	:	15 Tuas South Street 13, Singapore 636936

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DEFINITIONS

For the purpose of this Letter, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

- “2010 Circular”** : The Company’s Circular to Shareholders dated 6 April 2010, issued in connection with the 2010 EGM
- “2010 EGM”** : The extraordinary general meeting of the Company held on 27 April 2010
- “2011 AGM”** : The annual general meeting of the Company held on 28 April 2011
- “2012 AGM”** : The annual general meeting of the Company held on 26 April 2012
- “2013 AGM”** : The annual general meeting of the Company held on 25 April 2013
- “2014 AGM”** : The annual general meeting of the Company held on 28 April 2014
- “2015 AGM”** : The annual general meeting of the Company held on 27 April 2015
- “2016 AGM”** : The annual general meeting of the Company held on 26 April 2016
- “Act”** : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “AGM”** : Annual general meeting of the Company to be held on 27 April 2017
- “Approval Date”** : The date of the forthcoming AGM at which the renewal of the Share Buy-Back Mandate is approved
- “CDP”** : The Central Depository (Pte) Limited
- “Code”** : The Singapore Code on Take-overs and Mergers
- “Company”** : AEI Corporation Ltd.
- “Directors”** : The directors of the Company as at the date of this Letter

“EPS”	:	Earnings per Share
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Letter, being 31 March 2017
“Letter”	:	This Letter to Shareholders dated 12 April 2017 in relation to the proposed renewal of the Share Buy-Back Mandate
“Listing Manual”	:	SGX-ST Listing Manual
“Listing Rules”	:	The listing rules of the SGX-ST set out in the Listing Manual
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“NTA”	:	Net tangible assets
“per cent or %”	:	Percentage or per centum
“S\$ and cents”	:	Singapore dollars and cents, respectively
“SGX-ST”		Singapore Exchange Securities Trading Limited
“Shareholders”	:	Persons who are registered as holders of the Shares in the Register of Members of the Company, or where CDP is the registered holder, the term " Shareholders " shall in relation to such Shares, mean the Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Ordinary shares in the capital of the Company and “ Share ” shall be construed accordingly
“Share Buy-Back”	:	The buy-back of Shares by the Company in accordance with the Act and the Listing Manual
“Share Buy-Back Mandate”	:	The general mandate given by Shareholders to authorise the Directors to effect Share Buy-Backs
“Share Options”	:	Outstanding share options granted pursuant to the AEI Employee Share Option Scheme
“SIC”	:	Securities Industry Council
“Substantial Shareholder”	:	A person who has an interest or interests in one or more Shares in the company; and the total votes attached to that Share, or

those Shares, is not less than 5% of the total votes attached to all the Shares in the company

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in this Letter shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Letter is made by reference to Singapore time unless otherwise stated.

AEI CORPORATION LTD.
(Incorporated in Singapore)
(Company Reg. No. 198300506G)

Directors:

Yeung Koon Sang alias David Yeung (*Non-Executive Chairman and Independent Director*)
Tan Chu En Ian (*Executive Director and Chief Executive Officer*)
Sinta Muchtar (*Executive Director*)
Dr. Vasoo Sushilan (*Independent Director*)
Teng Cheong Kwee (*Independent Director*)

Registered Office
15 Tuas South Street 13
Singapore 636936
Tel: 6261 2244
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To: The Shareholders of AEI Corporation Ltd.

12 April 2017

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE;

1. INTRODUCTION

The Directors have proposed that the renewal of the Share Buy-Back Mandate be discussed as special business at the AGM. The purpose of this Letter is to provide Shareholders with information relating to such proposed renewal of the Share Buy-Back Mandate.

The Company's existing Share Buy-Back Mandate was first approved by Shareholders at the 2010 EGM. The rationale for, the authority and limitations on, and the financial effects of the Share Buy-Back Mandate were set out in the 2010 Circular.

The Share Buy-Back Mandate was subsequently renewed, upon approval by Shareholders, at the 2011 AGM, 2012 AGM, 2013 AGM, 2014 AGM, 2015 AGM, and 2016 AGM and the authority given at the 2016 AGM to carry out Share Buy-Backs was to be effective during the period commencing from the date of the passing of the ordinary resolution approving it at the 2016 AGM and expiring on the earlier of: (i) the date on which the next annual general meeting of the Company is held or required by law to be held; (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or (iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked by ordinary resolution of the Company in general meeting.

Accordingly, Shareholders' approval is being sought for the renewal of the Share Buy-Back Mandate to be tabled as an ordinary resolution under special business for Shareholders' approval at the AGM.

The Directors propose that the Share Buy-Back Mandate be renewed at the AGM to continue to authorise the Company to undertake Share Buy-Backs.

More details on the proposed renewal of the Share Buy-Back Mandate are set out in section 2 of this Letter.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 **Rationale**

The rationale for renewing the Share Buy-Back Mandate is to continue to allow the Company the flexibility to undertake Share Buy-Backs at any time, subject to market conditions, during the period when the Share Buy-Back Mandate is in force. The board of Directors believes that Share Buy-Backs provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above the Company's ordinary capital requirements in an expedient and cost-efficient manner. Share Buy-Backs will allow the Directors greater flexibility over the Company's share capital structure with a view to enhance the EPS and/or NTA per Share of the Company and the Group. The Directors also believe that Share Buy-Backs will help to militate against short term market volatility and offset the effects of short term speculation.

The Directors will only engage in Share Buy-Backs when they believe that it would benefit the Company and Shareholders, taking into consideration factors such as the amount of surplus cash available and the prevailing market conditions. In addition, the Directors do not intend to engage in Share Buy-Backs to such extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, the orderly trading of the Shares, or result in the Company being de-listed from the SGX-ST.

2.2 **Authority and Limits**

The authority and limitations placed on the Share Buy-Back Mandate, if renewed at the forthcoming AGM, are summarised as follows:

(a) **Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued ordinary share capital of the Company as at the Approval Date (excluding any treasury shares which may be held by the Company from time to time).

For illustrative purposes only, on the basis of 27,119,659 Shares in issue (excluding treasury shares) as at the Latest Practicable Date, not more than 2,711,965 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the renewed Share Buy-Back Mandate.

In the event that any of the Share Options that have vested are exercised during the period between the Latest Practicable Date and the date of the AGM, only those new Shares that are allotted and issued by the Approval Date pursuant to the exercise of such vested Share Options will be taken into account for the purposes of determining the total number of Shares as at the Approval Date.

(b) **Duration of authority**

Under the renewed Share Buy-Back Mandate, Share Buy-Backs may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;

- (ii) the date on which the authority conferred by the renewed Share Buy-Back Mandate is revoked or varied by the Company in general meeting; or
- (iii) the date on which Share Buy-Backs are carried out to the full extent mandated.

(c) **Manner of Share Buy-Backs**

Share Buy-Backs may be made by way of:

- (i) an on-market purchase (“**On-Market Purchase**”) transacted through the SGX-ST or on another stock exchange on which the Shares are listed (as defined in Section 76E of the Act); and/or
- (ii) an off-market purchase (“**Off-Market Purchase**”) effected pursuant to an equal access scheme (as defined in Section 76C of the Act) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme shall satisfy all the conditions prescribed by the Act and the Listing Rules.

Under the Act, an Off-Market Purchase effected in accordance with an equal access scheme must satisfy all of the following conditions:

- (i) the offers under the scheme are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
 - (bb) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each member is left with a whole number of Shares.

In addition, Rule 885 of the Listing Rules provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which contain at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Buy-Back;

- (iv) the consequences, if any, of share purchase by the Company that will arise under the Code or other applicable takeover rules;
 - (v) whether the Share Buy-Back, if made, could affect the listing of the Shares on the SGX-ST;
 - (vi) details of any Share Buy-Backs made by the Company in the previous 12 months (whether by way of On-Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
 - (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.
- (d) **Maximum purchase price**

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buy-Back shall be determined by the Directors, but in any event, shall not exceed the Maximum Price, which:

- (i) in the case of an On-Market Purchase, shall mean the price per Share based on not more than 5% above the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the On-Market Purchase and deemed to be adjusted for any corporate action occurring after such 5-Market Day period; and
- (ii) in the case of an Off-Market Purchase, shall mean the price per Share based on not more than 20% above the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day on which the Company makes an announcement of an offer under an equal access scheme.

2.3 **Status of Purchased Shares**

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company in accordance with the Act) will be automatically de-listed by the SGX-ST and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition.

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised below:

- (a) **Maximum holdings**

The number of shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other rights

The treasury shares shall be treated as having no voting rights and shall not be entitled to any dividend or other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up). However, an allotment of shares as fully paid bonus shares in respect of the treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is also allowed if the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/ or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares of the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares of the usage.

2.4 Source Of Funds

The Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any purchases or acquisitions of Shares may be made only if the Company is solvent and out of the Company's capital or profits. It is an offence for a Director or chief executive officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Act, a company is solvent if:

- (a) there is no ground on which the company could be found to be unable to pay its debts;

- (b) if:
 - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Buy-Back Mandate. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Buy-Back Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.5 Financial Effects of the Share Buy-Backs

The financial effects on the Company and the Group arising from Share Buy-Backs made pursuant to the Share Buy-Back Mandate will depend on, *inter alia*, the number of Shares purchased or acquired, the price paid for such Shares and the manner in which the purchase or acquisition is funded.

Where the consideration paid by the Company for a Share Buy-Back is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for a Share Buy-Back is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The financial effects on the Company and the Group set out in this section are based on the audited accounts of the Company and the Group for the financial year ended 31 December 2016 and the assumptions set out below:

(a) Exercise in full of the Share Buy-Back Mandate

For illustrative purposes only, on the basis of 27,119,659 Shares in issue (excluding treasury shares) as at the Latest Practicable Date, the exercise in full of the Share Buy-Back Mandate will result in the purchase or acquisition of 2,711,965 Shares, representing 10% of the Shares in issue as at that date.

(b) Maximum price to be paid for Share Buy-Backs

For illustrative purposes only, in the case of an On-Market Purchase by the Company and assuming that the Company purchases or acquires 2,711,965 Shares at the Maximum Price of S\$0.66 per Share (being 5% above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 2,711,965 Shares is S\$1,789,897.

For illustrative purposes only, in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 2,711,965 Shares at the Maximum Price of S\$0.76 per Share (being 20% above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 2,711,965 Shares is S\$2,061,093.

2.6 Illustrative Financial Effects for the financial year ended 31 December 2016

For illustrative purposes only, based on the audited accounts of the Company and the Group for the financial year ended 31 December 2016 and the assumptions set out above, and assuming the Share Buy-Backs are funded solely from capital, the financial effects of the Share Buy-Backs pursuant to the Share Buy-Back Mandate on the audited accounts of the Company and the Group for the financial year ended 31 December 2016 as if the Share Buy-Back Mandate had been effective on 1 January 2016 are as follows:

(a) On-Market Purchases made entirely out of capital and cancelled

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 December 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Shareholders' Funds	46,189	44,399	45,222	43,432
NTA	46,189	44,399	45,222	43,432
Current Assets	33,391	31,601	23,861	22,071
Current Liabilities	4,703	4,703	4,051	4,051
Working Capital	28,688	26,898	19,810	18,020
Total Borrowings	6,298	6,298	-	-
Net Loss	(4,235)	(4,235)	(1,066)	(1,066)
Treasury Shares	-	-	-	-
Number of Shares	27,119,659	24,407,694	27,119,659	24,407,694
Financial Ratios				
NTA per Share (cents)	170.32	181.9	166.75	177.9
Gearing (%)	13.64	14.18	-	-
Current Ratio (times)	7.1	6.7	5.9	5.4
EPS (cents)	(15.62)	(17.35)	(3.93)	(4.37)

(b) On-Market Purchases made entirely out of capital and held as treasury shares

Group Company

	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 December 2016	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Shareholders' Funds	46,189	44,399	45,222	43,432
NTA	46,189	44,399	45,222	43,432
Current Assets	33,391	31,601	23,861	22,071
Current Liabilities	4,703	4,703	4,051	4,051
Working Capital	28,688	26,898	19,810	18,020
Total Borrowings	6,298	6,298	-	-
Net Loss	(4,235)	(4,235)	(1,066)	(1,066)
Treasury Shares	-	1,790	-	1,790
Number of Shares	27,119,659	24,407,694	27,119,659	24,407,694
Financial Ratios				
NTA per Share (cents)	170.32	181.9	166.75	177.9
Gearing (%)	13.64	14.18	-	-
Current Ratio (times)	7.1	6.7	5.9	5.4
EPS (cents)	(15.62)	(17.35)	(3.93)	(4.37)

(c) **Off-Market Purchases made entirely out of capital and cancelled**

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 December 2016	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Shareholders' Funds	46,189	44,128	45,222	43,161
NTA	46,189	44,128	45,222	43,161
Current Assets	33,391	31,330	23,861	21,800
Current Liabilities	4,703	4,703	4,051	4,051
Working Capital	28,688	26,627	19,810	17,749
Total Borrowings	6,298	6,298	-	-
Net Loss	(4,235)	(4,235)	(1,066)	(1,066)
Treasury Shares	-	-	-	-
Number of Shares	27,119,659	24,407,694	27,119,659	24,407,694

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 December 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Financial Ratios				
NTA per Share (cents)	170.32	180.8	166.75	176.8
Gearing (%)	13.64	14.27	-	-
Current Ratio (times)	7.1	6.7	5.9	5.4
EPS (cents)	(15.62)	(17.35)	(3.93)	(4.37)

(d) **Off-Market Purchases made entirely out of capital and held as treasury shares**

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 December 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Shareholders' Funds	46,189	44,128	45,222	43,161
NTA	46,189	44,128	45,222	43,161
Current Assets	33,391	31,330	23,861	21,800
Current Liabilities	4,703	4,703	4,051	4,051
Working Capital	28,688	26,627	19,810	17,749
Total Borrowings	6,298	6,298	-	-
Net Loss	(4,235)	(4,235)	(1,066)	(1,066)
Treasury Shares	-	2,061	-	2,061
Number of Shares	27,119,659	24,407,694	27,119,659	24,407,694
Financial Ratios				
NTA per Share (cents)	170.32	180.8	166.75	176.8
Gearing (%)	13.64	14.27	-	-
Current Ratio (times)	7.1	6.7	5.9	5.4
EPS (cents)	(15.62)	(17.35)	(3.93)	(4.37)

Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Company and the Group for the financial year ended 31 December 2016 and is not necessarily representative of the future financial performance of the Company or the Group.

Although the Share Buy-Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back the entire 10% of the issued Shares, nor to such an extent that would materially and adversely affect the financial position of the Company or the Group.

Share Buy-Backs will only be effected after assessing the relative impact of a Share Buy-Back taking into consideration both financial factors (such as cash surplus, debt position, availability of financial resources and working capital requirements) and non-financial factors (such as share market conditions, funding arrangements, expansion and investment plans of the Group and the performance of the Shares). The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group.

2.7 Tax Implications

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

2.8 Listing Rules

(a) Reporting requirements

Rule 886 of the Listing Rules provides that a listed company shall notify the SGX-ST of any Share Buy-Back as follows:

- (i) in the case of an On-Market Purchase, by 9.00 a.m. on the Market Day following the day on which it purchases Shares; and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

The notification of such Share Buy-Backs to the SGX-ST shall be in such form and shall include such details as the SGX-ST may prescribe, such as the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Shares, as applicable.

(b) Insider trading

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because a listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of its Shares pursuant to the renewed Share Buy-Back Mandate at any time after a price sensitive matter or development has occurred or has been the subject of a decision until the price sensitive information has been announced. In particular, in line with the best practices on securities dealings stated in Rule 1207(19) of the

Listing Manual, the Company will not purchase or acquire any Shares pursuant to the renewed Share Buy-Back Mandate during the period commencing two weeks immediately preceding the announcement of the Company's quarterly results or one month immediately preceding the announcement of the Company's half year or full year results, as the case may be.

(c) **Listing status**

The Listing Rules require a listed company to ensure that at least 10% of its shares excluding treasury shares (excluding preference shares and convertible equity securities) are at all times held by the public.

As at the Latest Practicable Date, approximately 70% of the Company's Shares are held in the hands of the public. Assuming that the Company purchases the maximum of 10% of its issued Shares from such public Shareholders and the Shares bought back are cancelled, the resultant percentage of the issued Shares held by the public would be reduced to approximately 66%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake Share Buy-Backs up to the full 10% limit pursuant to the renewed Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST

2.9 **Takeover Implications under the Code**

Appendix 2 of the Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

(a) **Obligation to make a take-over offer**

Pursuant to Appendix 2 of the Code, any increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him resulting from a Share Buy-Back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Code. Consequently, depending on the number of Shares purchased or acquired by the Company and the number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14 of the Code.

(b) **Persons acting in concert**

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

- (i) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, any company whose associated companies include any of the aforesaid companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

- (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of (aa) the adviser and the persons controlling, controlled by or under the same control as the adviser; and (bb) all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions and companies controlled by any of the aforesaid persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid persons for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders including Directors and persons acting in concert with them respectively will incur an obligation to make a takeover offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 of the Code.

(c) **Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Code is that, unless exempted, Directors and parties acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than

1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate unless so required under the Act.

(d) **Mandatory take-over obligation for the Concert Parties**

The interests of the Directors and Substantial Shareholders of the Company in the Shares are disclosed in Section 3 of this Letter.

As at the date hereof, Lauw & Sons Holdings Pte Ltd has 4,147,923 Shares in the Company, representing a 15.29% shareholding interest in the Company. Treadstone Holdings Pte. Ltd. has an aggregate interest (direct and deemed) in 3,709,207 Shares representing 13.68% of the total issued share capital of the Company.

Madam Sinta Muchtar, Executive Director of the Company, is the spouse of Mr Tan Chu En Ian who is the Executive Director and Chief Executive Officer of the Company. She is therefore deemed interested in the 320,000 Shares held by Mr Tan Chu En Ian. Madam Sinta Muchtar also owns 50% of the issued capital of Treadstone Holdings Pte Ltd. She is therefore deemed interested in the 3,709,207 Shares held by Treadstone Holdings Pte Ltd. Madam Sinta Muchtar is also the legal and beneficial owner of 12.5% of the issued share capital of Lauw & Sons Holdings Pte Ltd and is deemed interested in the 4,147,923 Shares held by Lauw & Sons Holdings Pte Ltd by virtue of Section 7(4A)(c) of the Act. Accordingly, Madam Sinta Muchtar has an aggregate interest in 8,177,130 Shares representing 30.15% of the total issued share capital of the Company as at the date hereof.

Mr Tan Chu En Ian, Executive Director and Chief Executive Officer of the Company owns 50% of the issued capital of Treadstone Holdings Pte Ltd. He is therefore deemed interested in the 3,709,207 Shares held by Treadstone Holdings Pte Ltd, representing 13.68% of the total issued share capital of the Company. Mr Tan also directly owns 320,000 shares in the Company. His direct and deemed interests in the company represent an aggregate of 14.86% of the total issued share capital of the Company as at the date hereof.

The other directors of the Company, namely Mr Yeung Koon Sang alias David Yeung, Dr. Vasoo Sushilan and Mr Teng Cheong Kwee each holds 10,000, 10,000 and 10,000 shares in the Company respectively.

The Company confirms that save for Mr Tan Chu En and Madam Sinta Muchtar who are husband and wife, none of the Directors is related to one another.

Mr Tan Chu En Ian and Madam Sinta Muchtar are concert parties by virtue of the fact that they are spouses. Treadstone Holdings Pte Ltd is jointly controlled by Mr Tan Chu En Ian and Madam Sinta Muchtar, while Lauw & Sons Holdings Pte Ltd is controlled by Madam Sinta Muchtar and her associates. These two companies are therefore the concert parties of Mr Tan Chu En Ian and Madam Sinta Muchtar. Treadstone Holdings Pte Ltd and Lauw & Sons Holdings Pte Ltd are collectively referred to as the "**Concert Parties**". Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties have an interest (direct and deemed) in 8,177,130 Shares representing 30.15% of the total issued share capital of the Company as at the date hereof.

Assuming that the Company purchases the maximum of 2,711,965 Shares (being 10% of its issued Shares excluding treasury shares) pursuant to the Share Buy-Back Mandate and that such Shares are cancelled upon purchase, the aggregate interests of Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties would increase from 30.15% to 33.50% of the issued share capital of the Company, assuming there is no change in the number of Shares held by each of the parties concerned. Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties would incur a mandatory take-over obligation for all the Shares.

(e) **Exemption under Appendix 2 of the Code and conditions for exemption from having to make a general offer under Rule 14 of the Code**

Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties will be exempted from the requirement to make a general offer or the Company under Rule 14 of the Code if the aggregate shareholding of Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties increases by more than 1% in any six (6) month period as a result of any Share Buy-Back, subject to the following conditions:

- (i) the circular to Shareholders seeking their approval for the Share Buy-Back Mandate will contain:
 - (aa) advice to the effect that by voting in favour of the resolution to approve the Share Buy-Back Mandate, Shareholders are waiving their rights to a mandatory general offer at the required price (as determined in accordance with Appendix 2 of the Code) from Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties who, as a result of the Company buying back its shares, would increase their total voting rights in the Company to 30% or more, or, if they together hold between 30% and 50% of the Company's voting rights, would increase their voting rights by more than 1% in any period of 6 months; and
 - (bb) the names of Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties, their voting rights as at the time of the resolution and after the proposed Share Buy-Back;
- (ii) the resolution to authorise the Share Buy-Back Mandate to be approved by a majority of the Shareholders present and voting at the AGM on a poll who could not become obliged to make an offer as a result of the Share Buy-Back;
- (iii) Mr Tan Chu En Ian, Madam Sinta Muchtar and the Concert Parties abstain from voting and/or recommending Shareholders to vote in favour of the resolution to authorise the Share Buy-Back Mandate;
- (iv) within seven (7) days after the passing of the resolution to authorise the Share Buy-Back Mandate, each of Mr Tan Chu En Ian and Madam Sinta Muchtar submits to the SIC a duly signed form as prescribed by the SIC;
- (v) Mr Tan Chu En Ian, Madam Sinta Muchtar and/or the Concert Parties, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:
 - (aa) the date on which the authority of the Share Buy-Back Mandate expires; and
 - (bb) the date on which the Company announces that it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be;

if such acquisitions, taken together with the Share Buy-Back, would cause their aggregate voting rights to increase to 30% or more; and

(vi) Mr Tan Chu En lan, Madam Sinta Muchtar and/or the Concert Parties, together holding between 30% and 50% of the Company's voting rights, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:

(aa) the date on which the authority of the Share Buy-Back Mandate expires; and

(bb) the date on which the Company announces that it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be;

if such acquisitions, taken together with the Share Buy-Back, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months;

As such, if the aggregate voting rights held by Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties increase by more than 1% solely as a result of the Company's buy-back of Shares under the Share Buy-Back Mandate, and none of them has acquired any Shares under the relevant six (6) month period, then Mr Tan Chu En lan, Madam Sinta Muchtar and/or the Concert Parties would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14 of the Code, or where such exemption had been granted, would continue to enjoy the exemption.

If the Company ceases to buy back its Shares under the Share Buy-Back Mandate and the increase in the aggregate voting rights held by Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties as a result of the Company buying back its Shares at the time of such cessation is less than 1% in any six (6) month period, Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties will be allowed to acquire voting rights in the Company. However, any increase in the percentage of voting rights of Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties as a result of the Share Buy-Backs will be taken into account together with any voting rights acquired by Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties (by whatever means) in determining whether Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties have increased their aggregate voting rights in the Company by more than 1% in any six (6) month period.

(f) **Submission of Form 2 to the SIC**

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2) is the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption (please refer to paragraph (iv) of section 2.9(e) above) from the requirement to make a take-over offer under Rule 14 of the Code as a result of the buy-back of shares by a listed company under its share purchase mandate.

Mr Tan Chu En lan and Madam Sinta Muchtar have informed the Company that they will be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution authorising the Share Buy-Back Mandate.

(g) **Waiver**

Shareholders should note that by voting in favour of the Share Buy-Back Mandate, they are waiving their rights to a take-over offer by Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by SIC, would have to be made in cash or be accompanied by a cash alternative at the higher of (a) the highest price paid by Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties for the Company's Shares in the preceding six (6) months, or the highest price paid by the Company for its own Shares in the preceding six (6) months.

Save as disclosed above, the Directors are not aware of any other Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer as a result of a purchase of Shares by the Company pursuant to the Share Buy-Back Mandate.

Appendix 2 of the Code requires that the resolution to authorise the Share Buy-Back Mandate be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer under the Code as a result of the Share Buy-Back. Accordingly, the ordinary resolution relating to the Share Buy-Back Mandate set out in the notice of AGM is proposed to be taken on a poll and Mr Tan Chu En lan, Madam Sinta Muchtar and the Concert Parties shall abstain from voting on such Ordinary Resolution.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Code as a result of Share Buy-Backs by the Company are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.

3. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Based on information in the Register of Directors' Shareholdings and Register of Substantial Shareholders as at the Latest Practicable Date, the interests of our Directors and Substantial Shareholders as at the Latest Practicable Date were as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Tan Chu En lan	320,000	1.18	3,709,207	13.68	4,029,207	14.86
Sinta Muchtar	-	-	8,177,130 ^{(2) (3) (4)}	30.15	8,177,130	30.15
Yeung Koon Sang alias	10,000	0.04	-	-	10,000	0.04
David Yeung						

Dr. Vasoo Sushilan	10,000	0.04	-	-	10,000	0.04
Teng Cheong Kwee	10,000	0.04	-	-	10,000	0.04

Substantial Shareholders

DB Nominees (Singapore) Pte Ltd	2,000,000	7.37	-	-	2,000,000	7.37
Lauw & Sons Holdings Pte Ltd	4,147,923	15.29	-	-	4,147,923	15.29
Treadstone Holdings Pte Ltd ⁽⁵⁾	2,809,207	10.36	900,000	3.32	3,709,207	13.68

Holders of less than 5% who are related to Directors or Substantial Shareholders

Nil	Nil	Nil	Nil	Nil	Nil	Nil
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Notes:

- (1) The percentage shareholding interest is based on the issued share capital of 27,119,659 Shares excluding treasury shares as at the Latest Practicable Date.
- (2) Mr Tan Chu En Ian and Madam Sinta Muchtar each own 50% of the issued share capital of Treadstone Holdings Pte Ltd. They are therefore deemed interested in the 3,709,207 Shares held by Treadstone Holdings Pte Ltd.
- (3) Madam Sinta Muchtar owns 12.5% of the issued share capital of Lauw & Sons Holdings Pte Ltd and is deemed interested in the 4,147,923 Shares held by Lauw & Sons Holdings Pte Ltd.
- (4) Madam Sinta Muchtar is the spouse of Mr Tan Chu En Ian and is deemed interested in the 320,000 Shares held by Mr Tan Chu En Ian.
- (5) Treadstone Holdings Pte Ltd also has a beneficial interest in 900,000 Shares held by DBS Nominees Pte Ltd.

4. DETAILS OF SHARES PURCHASED BY THE COMPANY IN THE PREVIOUS 12 MONTHS

The Company has not made any share purchase in the previous 12 months.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder who is unable to attend the AGM and wishes to appoint a proxy or proxies to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 15 Tuas South Street 13, Singapore 636936, not less than 48 hours before the time fixed for the AGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting in person at the AGM if he subsequently wishes to do so.

6. DIRECTORS' RECOMMENDATION

Save for Mr Tan Chu En lan and Madam Sinta Muchtar, who are abstaining from making recommendations to the Shareholders in relation to the proposed renewal of the Share Buy-Back Mandate, the Directors are of the view that the proposed renewal of Share Buy-Back Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution for the proposed renewal of Share Buy-Back Mandate.

Shareholders are advised to read this Letter in its entirety and for any Shareholder who may require advice in the context of his specific investment, to consult his bank manager, stockbroker, solicitor, accountant or other professional adviser.

7. ABSTENTION FROM VOTING

The Concert Parties as well as parties acting in concert with them will abstain from voting, whether by representative or proxy, on the resolution to approve the renewal of the Share Buy-Back Mandate.

Mr Tan Chu En lan and Madam Sinta Muchtar will not accept nominations as proxy or otherwise vote at the AGM in respect of the renewal of the Share Buy-Back Mandate unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted 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 those sources and/or reproduced in this Letter in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 during normal office hours for three (3) months from the date of this Letter:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 December 2016.

Yours faithfully
For and on behalf of
the Board of Directors of
AEI CORPORATION LTD.

Tan Chu En Ian
Executive Director and Chief Executive Officer