

PROPOSED SALE OF 12 PENJURU LANE

All capitalised terms not otherwise defined herein shall have the meanings as prescribed in the put and call option agreement

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 on 28 Dec 2019, the Company (the “**Vendor**”) entered into a put and call option agreement (“**Option Agreement**”) with ACW Holdings Pte. Ltd. (the “**Purchaser**”) in relation to the sale of the Vendor’s existing premises at 12 Penjuru Lane Singapore 609192 (the “**Property**”, and the sale of the Property, the “**Proposed Sale**”).

2. 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 (“**JTC Lease Term**”). It was used by the Group as its main venue for manufacturing/extrusion activities prior to relocating the manufacturing/extrusion activities to Tuas South factory in January 2017.

INFORMATION ON THE PURCHASER

ACW Holdings Pte Ltd is a company incorporated in Singapore with its registered office at 20 Penjuru Lane Singapore 609193. Together with its subsidiaries and related companies, its core business is to provide total logistics solutions, offering their clients with integration of shipping and end-to-end logistics solutions to businesses worldwide as a full-suite logistics provider.

3. THE PROPOSED SALE

3.1. Grant of Put Option and Call Option

Under the Option Agreement,

- (a) the Purchaser has granted the Vendor the right to require the Purchaser to purchase the Property (the “**Put Option**”); and
- (b) the Vendor has granted the Purchaser the right to require the Vendor to sell the Property to the Purchaser (the “**Call Option**”).

3.2. Exercise Period of Put Option and Call Option

Subject to the terms and conditions of the Option Agreement:

- (a) the Call Option may be exercised upon notification from the Vendor and the Purchaser (as the case may be) that the conditions precedent in respect of the JTC Approvals, Vendor Shareholders Approval, Lease Extension and Amalgamation Approval and Hazardous Substances Storage Permit have been satisfied or fulfilled.
- (b) the Put Option may be exercised following the expiry of the exercise period of the Call Option.

Upon the exercise of the Put Option or Call Option, the option fee of S\$50,000 payable by the Purchaser to the Vendor in connection with the Option Agreement (“**Option Fee**”) shall apply and held by the Vendor as deposit. In the event the Put Option or Call Option is not exercised in accordance with the Option Agreement, subject to other applicable clauses in the Option Agreement, the Option Fee shall be forfeited to the Vendor within five (5) business days from the expiry of the Put Option Exercise Period.

3.3. Exercise Conditions

Exercise of the Call Option is conditional upon the fulfilment and satisfaction of, *inter alia*, the following key conditions precedent:

- (a) the approvals (“**JTC Approvals**”) being obtained from the JTC for (i) the change of use of the Property and (ii) 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 Shareholders Approval**”);
- (c) the Purchaser obtaining the approval from JTC for (i) an extension of the JTC Lease Term and (ii) an amalgamation of the Property and the Purchaser’s property (“**Lease Extension and Amalgamation Approval**”); and
- (d) the Purchaser obtaining a permit from NEA to store Hazardous Substances at the Property (“**Hazardous Substances Storage Permit**”).

In the event the conditions precedent are not obtained by 28 March 2020 (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 rescind the Option Agreement. In respect of the Option Fee:

- (i) if the conditions precedent in paragraphs (a), (c) or (d) above is not satisfied, the Option Fee shall be forfeited to the Vendor unless the failure satisfy the relevant condition precedent (as the case may be) is not due to the Purchaser’s default; or
- (ii) if any conditions precedent in paragraphs (b) above is not satisfied, the Option Fee shall be refunded to the Purchaser.

3.4. Purchase Agreement

Under the Option Agreement, the Vendor and the Purchaser are deemed to have entered into a sale and purchase agreement for the sale of the Property (the “**Purchase Agreement**”) on the date the Call Option is exercised by the Purchaser, or on the date the Put Option is exercised by the Vendor (as the case may be).

3.5. Sale Consideration

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:

- (b) on the date of the Purchase Agreement, a deposit of S\$50,000 which shall be satisfied by way of the Option Fee ("**Deposit**");
- (c) on completion of the Proposed Sale ("**Completion**"), the balance Sale Consideration (after deduction of the Deposit and other amounts permitted under the Purchase Agreement) shall be payable by the Purchaser to the Vendor.

3.6. 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.

3.7. Rationale and Use of Proceeds

On 11 November 2019, the Company announced that it had entered into a conditional business sale and purchase agreement to dispose the Group's core electronics and precision engineering segment. The Proposed Sale, which will free up financial resources, is in line with the Group's overall plans to transition into new businesses to enhance income streams.

The proceeds from the Proposed Sale will go towards strengthening the financial position of the Group and to facilitate the funding of the Group's overall plans in diversifying into new businesses to enhance the long term value for shareholders.

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

Based on the unaudited consolidated financial statements of the Group for the first half ended 30 June 2019, the book value of the Property was approximately S\$1,810,000 as at 30 June 2019. The excess of the Sale Consideration over the book value of the Property amounts to approximately S\$17,190,000. After deducting the estimated expenses in connection with the Proposed Sale of approximately S\$100,000, the net gain on the Proposed Sale is approximately S\$17,090,000.

3.9. Key Terms of the Proposed Sale

3.9.1. **Status of Property.** Subject to the terms and conditions of the Option Agreement, the Property will be sold subject to:

- (a) all chief, quit and other rents and outgoings, all incidents of tenure, rights and easements (if any) 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.

3.9.2. **Completion.** Completion of the Proposed Sale shall take place on the date falling four (4) weeks from the date of the Call Option exercise notice or the date of the Put Option exercise notice (as the case may be).

3.9.3. **Option to take Early Possession.** Subject to JTC's approval, the Purchaser has the right to take possession of the Property at any time during the period starting from the date of the Option Agreement. The occupation of the Property by the Purchaser shall be, *inter alia*, on the following key terms and conditions:

- (a) the Purchaser shall occupy the Property as licensee only and shall have no other rights except as licensee and such rights shall not be assigned or transferred by the Purchaser; and
- (b) the Purchaser must not use the Property for any purpose other than preparatory works for the Purchaser's proposed reconstruction of the Property, without the prior written consent of the Vendor.

4. LISTING MANUAL COMPUTATIONS

4.1. 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	3.62% ⁽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	40.85% ⁽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 2019 was approximately S\$50,049,000. The net asset value of the Property as at 30 June 2019 was S\$1,810,000.

- (2) Based on the Sale Consideration and the Company's market capitalisation as at 27 Dec 2019, being the last market day on which the Company's shares were traded prior to the date of the Option Agreement. The market capitalisation of the Company is derived by multiplying 54,722,959 ordinary shares (excluding treasury shares) in issue by the volume-weighted average traded price of S\$0.85 on 27 Dec 2019.

4.2. 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 and is subject to approval by shareholders at a general meeting to be convened.

5. FINANCIAL EFFECTS OF THE PROPOSED SALE

The financial effects of the Proposed Sale are set out in Appendix A.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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

SUN QUAN
NON-EXECUTIVE CHAIRMAN

30 December 2019

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 2018 (“FY2018”) and the following assumptions:

- (a) the Group’s NTA was computed assuming that the Proposed Sale was completed on 31 December 2018;
- (b) the Group’s EPS/LPS was computed assuming that the Proposed Sale was completed on 1 January 2018; and
- (c) expenses in connection with the Proposed Sale are disregarded for the purposes of calculating the financial effects.

2. Net tangible assets (“NTA”)

	As at 31 December 2018	Immediately following completion of Proposed Sale
NTA of the Group (S\$)	52,427,000	69,517,000
Number of Shares excluding Treasury Shares	56,732,159	56,732,159
NTA Per Share (S\$)	0.92	1.23

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

	FY2018	Immediately following completion of Proposed Sale
Net profit/ (loss) of the Company and its subsidiaries for FY2018 (S\$)	(5,902,000)	11,188,000
Weighted average number of Shares excluding Treasury Shares	47,321,063	47,321,063
Net profit/ (loss) per Share (S\$) - Basic and diluted	(0.12)	0.24

4. Share Capital

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