

## THE PROPOSED CAPITAL REDUCTION

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### 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 it intends to undertake a capital reduction exercise (“**Proposed Capital Reduction**”) to return to shareholders of the Company (“**Shareholders**”) surplus capital of the Company in excess of its needs by way of a cash distribution (“**Cash Distribution**”) by the Company to Shareholders of S\$0.36 for each ordinary share in the capital of the Company (“**Share**”) held by the Shareholders.

### 2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

2.1 The Company proposes to undertake the Proposed Capital Reduction pursuant to Section 78G of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) read with Section 78I of the Companies Act, which will involve a Cash Distribution by the Company to Shareholders of S\$0.36 in cash for each Share held by a Shareholder as at the record date to be determined by the Directors for the purpose of determining the entitlement of Shareholders (the “**Record Date**”).

2.2 Based on the issued and paid-up share capital of the Company of S\$71,287,498 comprising 54,722,959 Shares (which excludes treasury shares) as at the date of this announcement, the Proposed Capital Reduction will be effected in the following manner:

- (a) by reducing the share capital of the Company by S\$19,700,265 from S\$71,287,498 to S\$51,587,233; and
- (b) the Cash Distribution of the sum of approximately S\$19,700,265 (based on S\$0.36 per Share (excluding treasury shares) to Shareholders) will be paid out to the Shareholders.

The Cash Distribution amount of S\$19,700,265 comprises the issued and paid-up capital in excess of the immediate requirements of the Company. The actual aggregate amount of the capital to be returned to the Shareholders pursuant to the Proposed Capital Reduction will be based on the total number of issued and paid-up Shares (excluding treasury shares) of the Company as at the Record Date.

2.3 There will be no change in the total number of Shares held by the Shareholders immediately after the Proposed Capital Reduction.

### 3. RATIONALE

The Proposed Capital Reduction will be funded from cash proceeds from the Penjuru Disposal and the Group’s existing internal resources.

As at the date of this announcement, the Company has available cash of approximately S\$28.5 million.

On 30 December 2019, the Company announced that it had entered into an option agreement with ACW Holdings Pte. Ltd. (the “**Purchaser**”) for the sale of 12 Penjuru Lane Singapore 609192 for a cash consideration of S\$19 million (“**Penjuru Disposal**”). On 31 December 2020, the Company announced that all conditions precedent for the Purchaser to exercise its call option have been satisfied, fulfilled or waived (as applicable). Accordingly, the Purchaser may exercise the call option during the call option exercise period of three (3) weeks commencing on 31 December 2020 (or such other period as may be agreed in writing between the Company and the Purchaser).

Further, on 31 December 2020, the Company announced that it has entered into an agreement (“**SPA**”) to acquire 100% shareholding interest in MTBL Global Pte. Ltd. (“**MTBL**”) for an aggregate consideration of up to S\$20,000,000 payable in cash, subject to certain terms and conditions under the SPA (“**MTBL Acquisition**”).

In determining the level of capital to be returned to the Shareholders, the Company has ensured that it retains sufficient capital for its business and operational needs. The Board is of the view that taking into consideration, *inter alia*, the following:

- (a) cash consideration to be received upon completion of the Penjuru Disposal;
- (b) the estimated working capital needs of the Group for the next 12 months; and
- (c) assuming the MTBL Acquisition is completed: (1) the cash consideration payable by the Company; and (2) the estimated working capital needs of MTBL for the next 12 months,

the Proposed Capital Reduction is in the best interests of the Company as the Cash Distribution (after receipt of cash consideration upon completion of the Penjuru Disposal) comprises the issued and paid-up capital in excess of the immediate requirements of the Company.

The Proposed Capital Reduction and Cash Distribution, if effected, would result in the Company having a more efficient capital structure, thereby also improving Shareholders’ return on equity.

#### **4. CONDITIONS OF THE PROPOSED CAPITAL REDUCTION**

The Proposed Capital Reduction is subject to, *inter alia*, the following:

- (a) the clearance of the circular to Shareholders on the Proposed Capital Reduction by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”);
- (b) the approval of Shareholders by way of special resolution (“**Capital Reduction Resolution**”) at an extraordinary general meeting of the Shareholders to be convened (“**EGM**”);
- (c) such other approvals, authorisations, consents and confirmations from the regulatory authorities as may be required or advisable and the same remaining in force, including without limitation such approvals from the High Court of Singapore, SGX-ST and other third parties being obtained for or in connection with the Proposed Capital Reduction, and if such approvals are given subject to any conditions, such conditions being acceptable to the Company;
- (d) the Company complying with the requirements under the Companies Act; and

- (e) completion of the Penjuru Disposal and the Company's receipt of the entire cash consideration payable by the Purchaser.

## **5. FINANCIAL EFFECTS**

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

## **6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

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 Capital Reduction. There are no substantial shareholders in the Company who have any interest, direct or indirect, in relation to the Proposed Capital Reduction.

## **7. CIRCULAR**

A circular containing, *inter alia*, the notice of EGM and the details of the Proposed Capital Reduction will be despatched to the Shareholders in due course.

## **8. RESPONSIBILITY STATEMENT**

The Directors (including those 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 there are no material facts the omission of which would make this Announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors respectively has been to ensure that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

By Order of the Board  
**AEI CORPORATION LTD.**

Sun Quan  
Executive Director  
31 December 2020

**APPENDIX A  
FINANCIAL EFFECTS**

**1. BASES AND ASSUMPTIONS**

- 1.1. **Bases.** The financial effects of the Proposed Capital Reduction on the Group as set out in this Appendix A are based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 (“**FY2019**”).
- 1.2. **Assumptions.** For the purposes of illustrating the financial effects of the Proposed Capital Reduction, the financial effects have been prepared based on, *inter alia*, the above bases and the following assumptions:
- (a) the financial effects of the Proposed Capital Reduction on the Group’s net tangible assets (“**NTA**”) is computed assuming that the Proposed Capital Reduction is completed on 31 December 2019;
  - (b) the financial effects of the Proposed Capital Reduction on the Group’s earnings per share (“**EPS**”) is computed assuming that the Proposed Capital Reduction is completed on 1 January 2019;
  - (c) the Penjuru Disposal is completed and the consideration of S\$19 million is received by the Company on 31 December 2019; and
  - (d) costs and expenses in connection with the Proposed Capital Reduction are disregarded for the purposes of calculating the financial effects.
- 1.3. **Financial Effects.** The financial effects of the Proposed Capital Reduction as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or the Group, prepared according to the relevant accounting standards, following the Proposed Capital Reduction.

**2. COMBINED FINANCIAL EFFECTS**

**2.1. Share Capital**

	As at 31 December 2019	Immediately following completion of Penjuru Disposal	Immediately following completion of the Penjuru Disposal and Proposed Capital Reduction
<b>Number of Shares including Treasury Shares</b>	57,732,159	57,732,159	57,732,159
<b>Number of Treasury Shares</b>	3,009,200	3,009,200	3,009,200
<b>Number of Shares excluding Treasury Shares</b>	54,722,959	54,722,959	54,722,959
<b>Share Capital (S\$)</b>	71,287,498*	71,287,498	51,587,233

\*Net of direct share issuance costs

2.2. **NTA**

	As at 31 December 2019	Immediately following completion of Penjuru Disposal	Immediately following completion of the Penjuru Disposal and Proposed Capital Reduction
<b>NTA of the Group (S\$'000)</b>	44,963	62,120	42,420
<b>Number of Shares excluding Treasury Shares</b>	54,722,959	54,722,959	54,722,959
<b>NTA Per Share (S\$ cents)</b>	82.2	113.5	77.5

2.3. **EPS**

	FY2019	Immediately following completion of Penjuru Disposal	Immediately following completion of the Penjuru Disposal and Proposed Capital Reduction
<b>Net profit/ (loss) of the Company and its subsidiaries for FY2019 (S\$'000)</b>	(5,855)	11,302	11,302
<b>Weighted average number of Shares in issue</b>	56,498,316	56,498,316	56,498,316
<b>Net profit/ (loss) per Share (S\$ cents) - Basic and diluted</b>	(10.4)	20.0	20.0

2.4. **Gearing**

	FY2019	Immediately following completion of Penjuru Disposal	Immediately following completion of the Penjuru Disposal and Proposed Capital Reduction
<b>Total borrowings (S\$'000)</b>	2,374	2,374	2,374
<b>Net assets (S\$'000)</b>	44,963	62,120	42,420
<b>Gearing (%)</b>	5.28	3.82	5.6