AEI CORPORATION LTD
(Registration No: 198300506G)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING TO BE HELD ON 29 JUNE 2020
- RESPONSE TO QUESTIONS FROM SHAREHOLDER

The Board of Directors ("**Board**") of AEI Corporation Ltd ("**Company")** refers to the questions raised by a shareholder and the Company's response thereto.

Question 1:

Disposal of loss- making aluminium and metals business

I note last year Nov 2019, the company signed a SPA to dispose of its loss making aluminium and metals business (the business) to Mr Ian Tan and Ms Sinta Muchtar (the purchasers). However, this year Feb 2020, the disposal transaction was unfortunately terminated. I note that the purchasers, who have much expertise in the business, are no longer employed with the company.

Does the company have the expertise to manage the aluminium and metals business now that Mr Tan and Ms Muchtar are no longer with the company?
What is the outlook for the aluminium and metals business?
Will the aluminium and metals business continue to be loss making?
Who initiated the termination of the disposal agreement?
Did Mr Tan and Ms Muchtar compensate the company for terminating the disposal? If not, why did the company not pursue compensation from Mr Tan and Ms Muchtar?

Company's response:

The Company has been running into deficit for the past few years because of the poor and sluggish market demands for HDD and electronic components part sectors. Business outlook for these sectors has been and remains challenging and highly uncertain.

The Company has been exploring various opportunities to diversify into a new business that promises better potential for growth and profitability and divest of its existing aluminium and metal business which has been operating in challenging business environment. The Company had entered into an agreement on 10 November 2019 to dispose of the aluminium and metal business ("Disposal Agreement") while seeking to bring on board a business acquisition that would inject a new core business into the Group.

The COVID-19 outbreak caused severe business disruptions and challenging and uncertain economic conditions world-wide, prompting countries to impose stringent restrictions that resulted in severe business interruptions. Not only did the pandemic have had a severe impact on business operations, they also resulted in delays to the Company’s business transformation effort to inject a new core business into the Group concurrently with the disposal. Owing to the unprecedented impact and implications caused by the COVID-19 outbreak , the parties to the Disposal Agreement mutually agreed to terminate the Disposal SPA, with Mr Ian Tan and Ms Sinta Muchtar agreeing to stay on at the operating unit working with the team to help to maintain and ensure that the business continues to run smoothly.

We are on the lookout and continue to seek divestment of the aluminium and metal business on terms which will align with the timing of our business transformation. As and when we have any updates, we will announce via SGXNET to inform all shareholders.

Question 2:

Undervaluation in the share price of the company

The company share price is perennially low, and trading below its revalued NAV (after accounting for the company's property).

What is the reason for this persistent undervaluation?
What can the company do to improve its share price performance?

Company’s response:

The difficult and challenging business environment faced by the core extrusion business in the last few years has affected the operating and financial performance of the Group. That has affected the Company’s share price performance. During this period, the Board has been seeking and reviewing businesses with profit-generating potential and long term viability that would enable the Group to achieve sustainable growth and profitability, thereby enhancing shareholder value.

We continue to actively review options to enhance the value of our businesses and we will make the relevant announcement to update shareholders via SGXNET as and when appropriate.

Question 3:

Share buy back

I note that last year the company conducted several share buy back. This is positive as the company's shares are undervalued.

Given the recent decrease in share price due to COVID-19, should the company not continue its share buyback operations?
Why is the company not conducting share buyback operations?

Company's response:

Given the uncertainty arising from the unprecedented COVID-19 pandemic, the Company's focus is cash conservation for utilisation to achieve the Company's transformation objective to seek profitable business for better return to shareholders.

Question 4:

Chairman Statement

From AR2018's chairman statement, "*Being a cash-rich company with a strong ambition for business transition and a driven senior management team, we are* ***well-equipped to make a break-through in 2019****. We remain* ***dedicated to maximizing returns to shareholder***"

Did the company achieve a break-through in 2019? If so, please elaborate on the break-through achieved.
Please explain how, in what ways, the company has maximised shareholder returns in 2019?

From AR2018's chairman statement: " *During the year, we* ***devoted considerable time in screening companies across various industries and regions****. By introducing an asset with higher profit-generating potential, we are anticipating a change in the fundamentals of the Group."*

From AR2019's chairman statement: " *During 2019, we* ***devoted considerable time in screening companies across various industries and regions.*** *We are careful with our choices as the goal is to seek businesses with profit-generating potential and viable in the long term.... "*

I note the company has in the AR2018 and AR2019 chairman's statement both indicated that the company is devoting "***considerable time in screening companies across various industries and regions***".

Please explain why the screening process is taking such a long time?

The company's core business is losing money, and the disposal transaction was terminated, and it is likely the company will continue to bleed money.

Please provide updates on the company's progress "*in screening companies across various industries and regions".*

Company's response:

Given our limited resources and the ever changing business environment, we are careful with our acquisition choices as the goal is to seek businesses that will be profit-generating, has growth potential and will be viable in the long run. A business acquisition would entail time- consuming process of screening, investigation, review, internal deliberations, and due diligence, before a decision on whether to undertake the acquisition could be taken. Once such a decision is taken, the relevant announcement to update shareholders via SGXNET will be made in accordance with applicable rules and regulations.

Question 5:

Disposal of property at 12 Penjuru Lane

Please provide updates on the status of the disposal of the property at 12 Penjuru Lane.

Company's response

As announced on 15 June 2020, the Company and the Purchaser had entered into a supplemental Deed to amend certain terms and conditions of the Option Agreement entered into on 28 December 2019. The Company and the Purchaser are taking steps to fulfil the conditions precedent set out in the Option Agreement.

Question 6:

Director Fees

I note that Resolution 2 is "To approve the Directors' fees of S$287,992 (2018: S$263,926) for the financial year ended 31 December 2019."

I note the many other listed companies are cutting director fees or maintaining the director fees and senior management remuneration in view of COVID-19.

Furthermore, the disposal transaction for the aluminium and metals business was not completed. And the disposal of the property was terminated in July 2019 although a new purchaser for the property was later found. The company still remains in a loss-making position and no dividends were paid to shareholders Honestly, the company does not seem to have achieved much, if any, in 2019.

Please justify why the director fees have been increased from S$263,926 to S$287,992?

Company's Response:

The increase in directors' fees in 2019 as compared to 2018 is due mainly to changes in the composition of the Board and the fact that the fees for Mr Sun Quan and Mr Wu Pingwei will be for the full 12 months in FY2019 compared to only 9 months and 8.5 months respectively for FY2018.

Question 7:

Impact of COVID-19

With reference to https://www.sgx.com/media-centre/20200422-regulators-column-what-sgx-expects-issuers-disclosures-during-covid-19 , can you please indicate the impact on the company due to COVID-19 (earnings, operations, liquidity , balance sheet etc.) etc.

Company's Response:

The COVID-19 pandemic is still evolving around the world and Singapore has been projected to go into recession in the year 2020. The Company's immediate aim is to stay in operation and maintain the supply to customers under the restrictive safety measures taken in the circuit breaker period in Singapore. As more cost was incurred for compliance with circuit breaker measures and with the expected drop in demand due to disruption in our customers' operation, the COVID-19 situation is expected to have a negative impact on the Group's performance for the year.

Question 8:

Sale of shares by Mr Sun Quan

I note that the company placed out shares to Mr Sun Quan in April 2018 at a price of 80 cents, following which Mr Sun Quan gained a substantial stake in the company,

In Nov 2019, according to SGX Announcement filings, the same Mr Sun Quan pare down his stake in the company. The average price received from his sale transaction effected on 21 Nov 2019 is 81.44 cents. This sale price of 81.44 cents is 1.44 cents (less than 2 percent) higher than his buy placement price.

Mr Sun Quan currently serves in the capacity of Executive Director of AEI Corporation. Having taken such a huge stake in mid-2018 and paring it down slightly in end-2019, a span of around 1 and a half years and marginally above his placement purchase price, what are the reasons for Mr Sun Quan acquiring such a stake in the company? What plans or changes does Mr Sun Quan intend to effect for AEI Corporation?

Does his paring down of his stake in the company, around 1 and a half years after and marginally above his placement purchase price, indicate that he takes a dim view of the share price or the prospects of the company?

Could I seek a clarification from Mr Sun Quan, thank you?

Company's Response:

MTBL Global Fund (formerly known as New Impetus Strategy Fund) ("the Fund"), is the shareholder of the Company and China Capital Impetus Asset Management Pte Ltd ("CCI") is the asset manager of the Fund. Mr Sun is the CEO and director of China Capital Impetus Asset Management Pte Ltd and by virtue of the rules, he is deemed to have an interest in the shares of AEI held by CCI for the account of the Fund.

The Fund did some buying and selling of AEI shares in the past year and the Fund remains the single largest shareholder of the Company.

As stated in the shareholders' circular dated 12 Mar 2018 issued for the purpose of seeking shareholders' approval for the subscriptions of new AEI shares by the Fund, the Company believes that it is essential to explore diversification opportunities to generate additional revenue streams and reduce reliance on its existing core business which has been adversely affected by the poor sentiment in the global economy, weaker customer orders and intensifying competition. The proceeds from the new share issue were intended to be used for purposes of the proposed diversification and transformation. We understand that the Fund and the Company are working toward such objective.

Question 9:

Leadership/ lack of CEO

I note that the company CEO's position has been vacant for more than half a year. This is concerning as it might indicate a lack of leadership (and lack of direction) in the company.

Does the company intend for the CEO position to be left vacant indefinitely?
If not, what is the progress in the search for a replacement CEO?
In the interim, who(m) is providing leadership in the company?
Who(m) is providing direction in the company and where is the company heading towards?

Company's Response:

The CEO position became vacant when Mr Ian Tan relinquished his position in November 2019. The Company seeks a suitable candidate to fill that position while it is concurrently looking for viable businesses to inject in. The process has become more protracted, due in part to the disruptions caused by the Covid-19 pandemic. In the interim pending the appointment of a CEO, the Executive directors in consultation with the Chairman, oversee the day-to-day management of the Company and the Group's affairs.

Question 10:

Incorporation of Ascent Bridge (Singapore) Pte Ltd

I note that the company incorporated a wholly owned subsidiary "Ascent Bridge (Singapore) Pte. Ltd" in February 2020 this year.

What is the reason for the incorporation of Ascent Bridge?
What is the intended business or nature of operations of Ascent Bridge?
What are the principal activities of Ascent Bridge?
Is this part of the company's diversification plans?

Company's Response:

Ascent Bridge (Singapore) Pte Ltd has yet to commence business. The Board has been reviewing potential targets for diversification. The incorporation of Ascent Bridge is in preparation for a proposed diversification when one is decided.

Question 11:

Appointment of Chief Risk Officer

I note that, in Apr 2020, the company appointed Ms Lum Soh Ping as the Chief Risk Officer, in addition to her current role as CFO.

What is the role of the Chief Risk Officer?
What is the rationale for making such an appointment? (For context, a Chief Risk Officer is not a commonly found position in many smaller SGX listed companies)

Company's Response:

Ms Lum Soh Ping in her capacity as Chief Risk Officer assists the Audit Committee in its oversight of the risk management and internal control systems, and to provide the assurance to the Audit Committee and the Board on the adequacy and effectiveness of the risk management and internal control systems of the Company.

Question 12:

Achievement/accomplishment for the past financial year ended 31 Dec 2019

I would like to ask the Board/company to reflect and share with shareholders your opinion on *what the company has accomplished or achieved over the past financial year*, and how it can *improve itself going forward*, with the overarching aim of improving shareholder value.

Company's Response:

Please see our Chairman statement in the Annual Report. As stated, the Board had devoted considerable time in screening companies across various industries and regions with the view of identifying targets for acquisition that would meet our objective of having profit-generating potential and be viable in the long term. While the screening, investigations and reviews have not resulted in any acquisition or business venture during the financial year, they have enabled the Board to narrow down the potential targets, and ultimately leading to a decision on the business diversification to go for.

Question 13:

Just another comment/questions to add on for the AGM regarding remuneration policy:

What is the remuneration policy of the company, is it performance based?
And on what grounds/basis are the company proposing to increase director fees?

As mentioned in my earlier email, I note that the director fees proposed have increased.

As a general principle, I think that shareholders of most, if not all companies, would want to pay for performance.

Unfortunately, the last year (in my opinion) has been disappointing. The disposal of the metals business was not successful. The property disposal was not successful also (although it has been revived again and pending). The diversification into new business was also not sighted. The company is currently without a CEO too.

In essence, the company has little to show for in the past year. And we should remunerate directors and senior management based on performance. And it is really disappointing that the director fees proposed have increased.

I would like to suggest to the Board that going forward, management and directors are remunerated based on performance and KPI. When the milestone is met, for example, the disposal of the metals business (above its market value) is completed successfully, a success fee or an increase in the remuneration then becomes more justifiable. Otherwise, it does not reflect well in terms of shareholder alignment.

Appreciate your responses and I hope you would take my feedback above constructively.

Company’s Response:

The Company’s remuneration policies are performance based and transparent as disclosed in the Statement of Corporate Governance in the Annual Report. The remuneration of Executive Directors and key management personnel comprises salaries and a variable bonus, which is tied to the level of the group profits

As for the remuneration of Non-Executive Directors, it is set taking into consideration the general fee levels in the industry and in comparable companies. In the answer to an earlier question, we have explained the reason for the slight increase in directors’ fee to be paid for FY2019. We believe that the directors’ fees payable to our directors are not excessive, taking into consideration their effort, time spent and responsibilities.

By Order of the Board

Lum Soh Ping
Foo Soon Soo
Company Secretaries

26 June 2020