

**AWARD OF TENDER FOR LEASE OF LAND PARCEL
SITUATED AT TUAS SOUTH STREET 13 (PLOT 38)**

1. INTRODUCTION

The Board of Directors of AEI Corporation Ltd (**Company**), and together with its subsidiaries (**Group**), wishes to announce that its wholly-owned subsidiary, AEI (China) Holdings Pte. Ltd (**Subsidiary**) has submitted to Jurong Town Corporation (**JTC**) a tender for the lease of a parcel of land at Tuas South Street 13 (Plot 38) (**Land**) at a tender bid of S\$5,038,888.00. The Subsidiary has offered to lease from JTC the Land for a term of 21 years 5 months from a date to be determined by JTC subject to the Conditions of Tender and Technical Conditions of Tender published by JTC for the Land and also on the terms and conditions set out within the draft Forms of the Building Agreement (**Building Agreement**) and Lease (**Lease**) at Appendix F and Appendix G respectively to the said Conditions of Tender at an Annual Rent of Singapore Dollars (S\$12.00) and at a sale price as abovementioned.

On 14 April 2014, JTC has accepted and awarded the tender submitted by the Subsidiary (**JTC Letter of Acceptance**).

2. RATIONALE AND INFORMATION ON THE PROPOSED DEVELOPMENT

2.1 Land

The Land is situated at Tuas South with access to AYE, PIE and Second Link to Malaysia. The Lease is subject to, inter alia, development to a minimum Gross Plot Ratio requirement of not less than 0.7 but not more than 1 and development in accordance with the relevant guidelines as stipulated by JTC, within 60 months from the date of acceptance of tender by JTC.

The Lease term for the Land shall be for a period of 21 years and 5 months from a date to be determined by JTC for the purpose of constructing a factory for manufacturing activities.

The Company intends to develop the Land for the purpose of relocating the Group's manufacturing plant from its existing premises to the Land to support its core-business operations and streamline its production cost to meet the challenges of the competitive landscape of the electronic and metal industries (**Proposed Development**).

2.2 Payment Schedule and Usage of the Land

Based on the tender, the cost of the Land (**Land Price**) is S\$5,038,888.00. As the tender has been accepted by JTC, the Subsidiary agrees to –

- (a) Comply with the terms and conditions set out or referred to in the Conditions of Tender;
- (b) Pay by Cashier's Order 25% (less the Tender Deposit already paid) of the Land Price with the corresponding amounts of the goods and services tax (**GST**) within 28 days of the date of acceptance of the Tender and the 28 days shall include the date of JTC's acceptance;

- (c) Pay by Cashier's Order the remaining 75% of the Land Price with the corresponding amounts of the GST within 90 days of the date of acceptance of the Tender and the 90 days shall include the date of JTC's acceptance on or before the signing of the Building Agreement in accordance with the Conditions of Tender; and
- (d) Carry out and complete the Proposed Development in accordance with the terms and conditions set out within the Building Agreement, Conditions of Tender and Technical Conditions of Tender.

In accordance with the Conditions of Tender, the Subsidiary has declared that the development on the Land shall be used for manufacturing activities.

2.3 Rationale for the Proposed Development

Upon assessment of the Company's operational requirements in recent years and the growth strategies in the current business and market environment, the Company believes the size of our current corporate office and manufacturing plant at Penjuru Lane is no longer cost efficient. We are currently paying up to \$40.01 psm per annum or \$746,046 per year (subject to periodic market adjustments). The Proposed Development not only enables us to contain any increase in land rental as the tender price represents the total rental amount paid for the whole lease period ie 21 years and 5 months at \$32.78 psm per annum or \$235,279 per year, but also offers us opportunities to redesign the production process flow to improve the production efficiency.

2.4 Consideration for the Proposed Development

Notwithstanding that our Land Price is the highest bid submitted, the directors are of the view that this is a reasonable and fair market tender price as based on the tender price of \$5,038,888 for the Land, it works out to be \$702 psm. There were 7 tenders for the Land and our Land Price was \$94,280 or 1.9% higher than the second tender price. The successful tender prices for plots of land around the Tuas South areas in the three month period from Dec 2013 to Feb 2014 range from \$700 psm to \$1,000 psm.

Besides the Land Price, the Group expects to incur approximately S\$10 million for the building works of the facility to house its relocated office and manufacturing plant and construction of the necessary infrastructure. The aforesaid estimate of the costs of building works is based on preliminary discussions with the relevant third party professionals and consultants and with reference to JTC's Building Agreement, Conditions of Tender and Technical Conditions of Tender. As at the date of this announcement, the Group has not formally appointed any such professionals and consultants or building contractors in respect of the building works. The actual costs of the building works are not expected to be materially more than the aforesaid estimates, barring any unforeseen circumstances.

As such, the Group's aggregate consideration or cost of investments (**Consideration**) for the Proposed Development is currently estimated to be S\$15 million, comprising: (i) the aforesaid Land Price of S\$5,038,888.00 and (ii) the estimated costs of the building works of S\$10 million.

2.5 Funding for the Proposed Development

The Group intends to finance the Consideration of the Proposed Development by bank borrowings, our internal resources and/or proceeds from fund raising exercises (if any) from the equity market.

3. MAJOR TRANSACTION

The relative figures for the Proposed Development computed on the applicable bases set out in Listing Rule 1006 of the Listing Manual are as set out below:

Rule 1006(a)	Net asset value of the assets to be disposed of	Net asset value of the Group	Relative Figures
	Not Applicable as this transaction is not a disposal		
Rule 1006(b)	Net profits attributable to the Proposed Acquisition	Net profits of the Group for FY2013	Relative Figures
	Not applicable as there are no profits attributable to the Proposed Development until it is completed. The Proposed Development is expected to be completed in 2016/2017. As such there are no net profits attributable to the Proposed Development for FY2013.		
Rule 1006(c)	Consideration for the Proposed Development	The Company's market capitalisation ⁽¹⁾	Relative Figures
	S\$15,038,888	S\$33,911,550	44.3%
Rule 1006(d)	Maximum number of equity securities issued by the Company as consideration	Number of the Company's equity securities previously in issue	Relative Figures
	Not Applicable as no equity securities will be issued by the Company as consideration.		

Note:

(1) The market capitalisation of the Company as at 14 April 2014, being 1 day preceding the date of the announcement of the Proposed Development.

The Proposed Development is classified as a "major transaction" as it exceeds the 20% threshold under Rule 1006(c) and will be subject to the requisite approval from the Company's shareholders in a general meeting (**Shareholders' Approval**).

4. SGX-ST'S CONCURRENCE

4.1 Company seeking the waiver of the SGX-ST with regard to compliance with Listing Rule 1014(2)

The Board wishes to announce that the Company had on 25 March 2014 applied to the SGX-ST to seek the SGX-ST's concurrence that the Company can proceed to obtain Shareholders' Approval to ratify the Proposed Development after completion of the Tender notwithstanding Listing Rule 1014(2) which require for a major transaction to be made conditional upon approval by shareholders in a general meeting. The Company also informed the SGX-ST that in the meantime, the Company intend to announce the submission of tender, the award of tender and its intention to obtain Shareholders' Approval to ratify the Proposed Development.

4.2 The reasons for seeking the waiver of the SGX-ST

The Company's application to the SGX-ST was made on the following grounds:

4.2.1 Timeline under the Conditions of Tender:

- (a) Based on the Conditions of Tender, once JTC has selected and awarded the Tender to the Subsidiary, JTC will inform the Subsidiary of JTC's acceptance of its tender by a letter of acceptance (**Acceptance Date**). The Subsidiary will be required to accept the award within 28 days of the Acceptance Date. Thereafter, the Subsidiary is required to pay the requisite balance amounts of the Land Price within 90 days of the Acceptance Date.
- (b) As at date of application to the SGX-ST, JTC had not informed the Group that the Subsidiary will be awarded the Tender. Pending such acceptance by the JTC, the Group is unable to obtain information on the drawings of the factory, commence the process to obtain planning approval, estimate the construction cost and development cost, or to appoint contractors.
- (c) In line with the tender process adopted by the JTC, the tender for the Proposed Development was required to be an unconditional tender. The tender could not be conditional upon approval from shareholders which would require the issue of a shareholder circular and the convening of an extraordinary general meeting after giving the requisite notice period.
- (d) In view of the above and given the time constraint, it would not be feasible or practical for the Company to obtain Shareholders' Approval as a condition for the Tender, or to obtain Shareholders' Approval before the completion of the Tender.

4.2.2 Proposed Development would not amount to an expansion of core business of the Group:

As disclosed in the Tender Form submitted by the Subsidiary to the JTC, the Company intends to develop the Land for the purpose of relocating the Group's manufacturing plant from its existing premises to the Land to support its core business operations. This is because the existing premises are no longer efficient in meeting our operational requirements.

4.2.3 Proposed Development would not change the risk profile of the Group:

We have informed the SGX-ST that the Proposed Development will not increase the scale of our Group's operations, or result in a change in control of the Group. In addition, the Proposed Development will not have a significant adverse impact on the Group's earnings, working capital and gearing, and it will not result in an expansion of Group's business to a new business sector.

4.3 The waiver granted by the SGX-ST and the conditions attached to the waiver

On 3 April 2014, the SGX-ST has advised that it has no objection to the Company's application with regard to compliance with Listing Rule 1014(2) subject to the following: -

- (a) the Company announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Listing Rule 107; and
- (b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

Following this, the Company has submitted a written confirmation dated 15 April 2014 to the SGX-ST in relation to paragraph 4.3(b) of this announcement.

5. FINANCIAL EFFECTS

For illustrative purposes only, the financial effects of the Proposed Development on the net tangible assets (**NTA**) per share and earnings per share (**EPS**) of the Group, based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2013 are set out below.

Assuming the Proposed Development has been completed on 31 December 2013, the financial effect on the NTA per share of the Group is as follows:

	Before Proposed Development	After Proposed Development
NTA (SGD'000)	55,759	55,759
No. of issued shares	251,196,667	251,196,667
NTA per share (cents)	22.2	22.2

Assuming the Proposed Development had been completed on 1 January 2013, the financial effect on the EPS of the Group is as follows:

	Before Proposed Development	After Proposed Development
Profit after income tax (SGD'000)	2,012	2,012
No. of issued shares	251,196,667	251,196,667
EPS (cents)	0.8	0.8

6. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST

None of the Directors or controlling shareholders of the Company is deemed to have any interest, direct or indirect, in the Proposed Development.

7. DOCUMENTS FOR INSPECTION

Copies of the JTC Letter of Acceptance, Conditions of Tender and Technical Conditions of Tender, Building Agreement, Lease are available for inspection during normal business hours at the Company's registered office at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192, for a period of three (3) months from the date of this announcement.

8. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

The Company notes that the acceptance by JTC of the Tender has constituted a binding contract between JTC and the Subsidiary as the tender for the Land was required to be an unconditional tender and could not be conditional upon approval from shareholders.

The Company is currently working to convene an extraordinary general meeting as soon as practicable to seek Shareholders' Approval to ratify the entry into the said Lease agreement with the JTC and to approve the Proposed Development.

A circular containing further details of the Land and the Proposed Development, and enclosing the notice of the extraordinary general meeting to be convened in connection therewith, will be despatched by the Company to shareholders as soon as practicable.

Subject to applicable regulatory requirements, the Company will keep shareholders updated on material developments on the Proposed Development as and when appropriate. In the meantime, shareholders and other investors are advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and other investors should consult their stockbrokers, bank managers, solicitors, accountants, or other professional advisers immediately, if they have any doubt about the actions they should take.

By Order of the Board

Ngiam Zee Moey
Company Secretary

15 April 2014