

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

ANNOUNCEMENT

RESPONSE TO SGX-ST QUERIES ON ANNUAL REPORT 2019

The Board of Directors ("**Board**") of AEI Corporation Ltd ("**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and would like to provide further information.

Query from SGX-ST

With reference to the audited consolidated statement of cash flows on pages 54 of the Company's Annual Report 2019, please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2019 which was issued on 28/2/2020:-

- i. The net cash flow used in financing activities.

Listing Rule 704(6) states that an issuer must immediately announce if it has previously announced its preliminary full-year results, any material adjustments to its preliminary full-year results made subsequently by auditors.

Please state how has the Company complied with Listing Rule 704(6).

Company's Response

In the announcement of the unaudited full year results for FY2019 on 28 February 2020 ("**Results Announcement**"), the Company reported unaudited net cash used in financing activities as S\$1,168,000 which included repayment of finance lease obligations of S\$180,000.

Following the audit of the financial statements, the repayment of finance lease obligations was reclassified as "lease rental paid" and accounted for as net cash used in operating activities.

As a result of the reclassification, the audited net cash used in financing activities reported on page 54 of the Company's Annual Report 2019 ("**Annual Report**") was reduced by S\$180,000 to S\$988,000.

Correspondingly the unaudited net cash used in operating activities was reported as S\$2,869,000 in the Results announcement, and following the above reclassification, the audited net cash used in operating activities as reported in the Annual Report was increased by S\$180,000 to S\$3,049,000.

The Board does not consider the above reclassification as a material adjustment to the audited financial statements in the Annual Report, and deems that the Company has not breached Rule 704(6).

Query from SGX-ST

The Company states on page 32 of the Company's Annual Report 2019 that during the year, the Company had not entered into any interested persons transactions. However, MTBL Global Pte Ltd was recognised as an Interested Person under the format required for Listing Rule 907. We note that this transaction amounting to \$1,518,000 is to a related company for a business joint venture transaction and the nature of relationship is associated with a director.

Listing Rule 906 states that an issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:-

- (a) 5% of the group's latest audited net tangible assets; and
- (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is in the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregations.

Please clarify if the transaction with MTBL Global Pte Ltd constitutes as an interested person transaction and if applicable, please explain how the Company has complied with Listing Rule 906.

Company's Response

There is a typographical error on page 32 of the Company's Annual Report which should read as **"During the year, the Company had entered into the undermentioned interested person transaction."** We apologize for the inadvertence.

Accordingly, the transaction with MTBL Global Pte Ltd was listed on page 32 of the Annual Report and recognised as an interested person transaction under the format required for Listing Rule 907.

The transaction with MTBL Global Pte Ltd related to a one-off venture in the sale of goods, and the value of the transaction was less than 3% of the audited Group net tangible assets as at 31 December 2018, and did not require an announcement or shareholders' approval.

Query from SGX-ST

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of

independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response

The Board supports a board diversity policy to ensure that the Board has an appropriate level of diversity of thought and background to enable wider perspectives which encourage more effective discussions and better decision-making. The Company discloses in its Statement of Corporate Governance on page 15 of the Annual Report that:

“On an annual basis, the NC would review the composition of the Board with a view to considering if it has the appropriate mix of expertise and experience and if, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making. The Board also considers that talent diversity, including gender diversity, can contribute to the quality of its decision making.”

The Board has had diversity that includes female representation on its Board since its listing in 2004 until the resignation of its female Board member in November 2019. The Board remains fully supportive of the policy of Board diversity, including gender diversity, and together with the Nominating Committee (“NC”) will set the relevant objectives to promote diversity to ensure an appropriate balance of perspectives, skills and experience to support the long-term success of the Company. Toward this end, the Board, when reviewing new appointments, will consider each candidate’s merits and suitability as well as how it can contribute to objective for diversity.

By Order of the Board

SUN QUAN
EXECUTIVE DIRECTOR

1 June 2020