

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

ANNOUNCEMENT

RESPONSE TO SGX-ST QUERIES ON ANNUAL REPORT 2020

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

Listing Rule 704 (6) states that an issuer must immediately announce if there is / are material adjustments to the full year audited results and to disclose and explain the material adjustments via an SGXNET announcement. We note that it was stated in the release of full year financial results that the net cash flows generated from financing activities was \$102,000 while the audited results state that the net cash flows provided by operating activities was \$144,000. Given that no announcement was released on SGXNet for the above material adjustment, please explain this discrepancy as well as how the company is in compliance with Listing Rule 704 (6).

Company’s Response

In the announcement of the unaudited full year results for FY2020 on 25 February 2021, the company reported unaudited net cash from financing activities as \$102,000. Following the audit of the financial statements, there were some reclassifications and the company reported net cash from financing activities as \$144,000. The nature and movement are tabled and explained below:

Cashflow Description	Full Year Unaudited \$’000	Annual Report 2020 \$’000	Difference \$’000	Explanation
Advances from Corporation owned by directors of subsidiary companies	432	267	165	(i)
Repayment of finance lease obligations	207	0	(207)	(ii)
Interest paid-lease liability / Lease rental paid	347	554	207	(ii)

- i) There was a reclassification of \$165,000 from financing activities to operating activities (\$118,000) and investing activities (\$47,000). The subsidiary company acquired a new

commercial vehicle by trading-in an old company van (\$47,000) and the balance \$118,000 was paid by the subsidiary's director on behalf of the company.

- ii) Included in the financing activities was an amount of \$207,000 pertaining to the repayment of finance lease obligation. This amount has been reclassified to operating activities and grouped with \$347,000 interest paid on the finance lease and accounted as total rental paid at \$554,000.

With the above reclassifications, the cash and cash equivalents at end of the year between our announced unaudited full year financial results and audited annual report remains unchanged.

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

Query from SGX-ST

Listing Rule 1207 (10C) requires issuers to provide the audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. We note that the Company stated, "The AC is satisfied that the internal audit function is independent and adequately resourced." Please provide the audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.

Company's Response

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

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. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Please explain how this disclosure provides sufficient transparency and information to shareholders and is consistent with the intent of Principle 8 of the Code.

Company's Response

While the exact remuneration of the Directors is not given, the level and mix of remuneration in percentage terms of the individual Directors in bands of S\$250,000 are provided. The Company believes that such disclosure, in the context of the disclosed band of remuneration for the Directors and together with the resolution to seek shareholders' approval for the aggregate directors' remunerations at the AGM, will provide shareholders with an adequate understanding of the remuneration packages of the Directors and is consistent with the intent of Principle 8 of the Code. For the year 2020, all the individual directors were remunerated for directors' fee only.

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. Practice Guidance 8 of the Code states that remuneration disclosures of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000, in aggregate the total remuneration paid to these key management personnel, as well as disclose remuneration on named basis. We note the Company had declined to disclose the remuneration of its top five (5) KMP on a named basis. Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

Company’s Response

The manpower landscape of the electronic industry in Singapore and region has become more competitive in the recent years and as such any information on remuneration of KMP could be used by competitors to poach talents which are critical for efficient manufacturing operation of the electronic end products. Disclosure of exact remuneration of individual on a named basis may have unintended consequences, both externally and internally. In the best interest of the company to retain talent, the company has disclosed the remuneration of KMP on an unnamed basis.

The Board is of the view that the information disclosed would be sufficient for shareholders to have an adequate understanding of the Company’s remuneration policies and practice and the broad remuneration level of the key management staff and is consistent with the intent of Principle 8 of the Code.

By Order of the Board

Sun Quan
Executive Director

28 April 2021