

**DATED 10 APRIL 2019**

**APPENDIX**

**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Appendix is circulated to the Shareholders of AEI Corporation Ltd. (the “**Company**”) together with, and forms a part of, the Company’s Annual Report (as defined herein). Its purpose is to explain to the Shareholders the rationale and to provide information pertaining to the proposed adoption of the Share Buyback Mandate (as defined herein), and to seek Shareholders’ approval at the Annual General Meeting to be held on 25 April 2019 at 9.00 a.m. at 15 Tuas South Street 13, Singapore 636936 or at any adjournment thereof.

The Notice of AGM dated 10 April 2019 and a Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of AEI Corporation Ltd. (the “**Company**”), you should immediately forward the Annual Report (including this Appendix, the Notice of AGM and the Proxy Form) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



**APPENDIX**

**TO THE ANNUAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2018**

**IN RELATION TO**

**THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE**

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## DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

<b>“Act”</b>	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
<b>“ACRA”</b>	:	Accounting and Corporate Regulatory Authority of Singapore
<b>“Affected Parties”</b>	:	New Impetus Strategy Fund and Mr Sun Quan
<b>“AGM”</b>	:	The annual general meeting of the Company to be held on 25 April 2019
<b>“Annual Report”</b>	:	Annual report of the Company for the financial year ended 31 December 2018
<b>“Approval Date”</b>	:	Has the meaning ascribed to it in Section 2.4(a) of this Appendix
<b>“Bonus Warrants”</b>	:	The 27,119,659 bonus warrants issued by the Company on 25 May 2018, each warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of \$1.00 for each warrant share
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers
<b>“Company”</b>	:	AEI Corporation Ltd.
<b>“Constitution”</b>	:	The constitution of the Company
<b>“Directors”</b>	:	The directors of the Company as at the date of this Letter
<b>“EPS”</b>	:	Earnings per Share
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	:	The latest practicable date prior to the printing of this Letter, being 15 March 2019
<b>“Letter”</b>	:	This Letter to Shareholders dated 10 April 2019 in relation to the proposed adoption of the Share Buyback Mandate
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
<b>“Listing Rules”</b>	:	The listing rules of the SGX-ST set out in the Listing Manual
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for securities trading
<b>“Market Purchase”</b>	:	Has the meaning ascribed to it in Section 2.4(c)(i) of this Appendix
<b>“NTA”</b>	:	Net tangible assets

“ <b>Off-Market Purchase</b> ”	:	Has the meaning ascribed to it in Section 2.4(c)(ii) of this Appendix
“ <b>per cent</b> ” or “ <b>%</b> ”	:	Percentage or per centum
“ <b>S\$ and cents</b> ”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
“ <b>SGX-ST</b> ”	:	Singapore Exchange Securities Trading Limited
“ <b>Shareholders</b> ”	:	Persons who are registered as holders of the Shares in the Register of Members of the Company, or where CDP is the registered holder, the term “ <b>Shareholders</b> ” shall in relation to such Shares, mean the Depositors who have Shares entered against their names in the Depository Register
“ <b>Shares</b> ”	:	Ordinary shares in the capital of the Company and “ <b>Share</b> ” shall be construed accordingly
“ <b>Share Buyback</b> ”	:	The buyback of Shares by the Company in accordance with the Act and the Listing Manual
“ <b>Share Buyback Mandate</b> ”	:	The general mandate given by Shareholders to authorise the Directors to effect Share Buybacks
“ <b>SIC</b> ”	:	Securities Industry Council
“ <b>Substantial Shareholder</b> ”	:	A person who has an interest or interests in one or more Shares in the company; and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the Shares in the company

Unless the context otherwise requires:

- (a) the terms “**depositor**”, “**depository register**” and “**depository agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act and the terms “**subsidiary**”, “**related company**” and “**substantial shareholder**” shall have the meanings ascribed to them in Sections 5, 6 and 81 of the Act respectively;
- (b) the terms “**associate**” and “**associated company**” shall have the meanings ascribed to them in the Section entitled “Definitions and Interpretation” of the Listing Manual;
- (c) words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Unless the context otherwise requires, any references to persons shall include individuals, corporate bodies (wherever incorporated), unincorporated associations and partnerships;
- (d) any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Securities and Futures Act, the Listing Manual or any modification thereof and not otherwise defined in this Appendix shall, where applicable, have the same meaning ascribed to it under the Act, the Securities and Futures Act, the Listing Manual or such modification thereof, as the case may be, unless the context otherwise requires;

- (e) any reference to a time of a day in this Appendix shall be a reference to Singapore time unless otherwise stated;
- (f) any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them; and
- (g) the headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

# LETTER TO SHAREHOLDERS

**AEI CORPORATION LTD.**  
(Incorporated in Singapore)  
(Company Registration No. 198300506G)

## **Directors**

Sun Quan (*Non-Executive Chairman*)  
Tan Chu En Ian (*Executive Director and Chief Executive Officer*)  
Sinta Muchtar (*Executive Director*)  
Wu Pingwei (*Executive Director*)  
Dr. Vasoo Sushilan (*Independent Director*)  
Teng Cheong Kwee (*Independent Director*)  
Yeung Koon Sang alias David Yeung (*Lead Independent Director*)

## **Registered Office:**

15 Tuas South Street 13  
Singapore 636936

10 April 2019

To: The Shareholders of AEI Corporation Ltd.

Dear Sir/Madam,

## **THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE**

### **1. INTRODUCTION**

#### **1.1. Notice of AGM**

The Directors refer to the Notice of AGM of the Company dated 10 April 2019, accompanying the Annual Report for the financial year ended 31 December 2018, convening the AGM of the Company to be held on 25 April 2019, and Resolution 10 under the heading "*The Proposed Adoption of the Share Buyback Mandate*" as set out in the Notice of AGM.

#### **1.2. Purpose of this Appendix**

The purpose of this Appendix is to provide Shareholders with information relating to Resolution 10 in the Notice of AGM on the proposed adoption of the Share Buyback Mandate. The Directors propose to table the approval of the Share Buyback Mandate for the consideration and approval of the Shareholders at the forthcoming AGM to be held on 25 April 2019.

The SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy of any of the statements or opinions made or reports or letters contained in this Circular.

### **2. THE PROPOSED SHARE BUYBACK MANDATE**

#### **2.1. Background**

The Act allows for a Singapore-incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and

preference shares if the purchase or acquisition is permitted under the company's constitution. Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Act, the Constitution, the Listing Manual and such other laws and regulations as may, for the time being, be applicable. As the Company is listed on the Mainboard, it is also required to comply with Part XIII of Chapter 8 of the Listing Manual, which relates to the purchase or acquisition by an issuer of its own shares. Regulation 53(2) of the Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares.

It is a requirement under the Act and Listing Manual for a company that wishes to purchase or otherwise acquire its own shares to obtain approval of its shareholders. Accordingly, Shareholders' approval is being sought for the proposed adoption of the Share Buyback Mandate.

## **2.2. Proposed adoption of the Share Buyback Mandate**

The proposed adoption of the Share Buyback Mandate is tabled as an ordinary resolution under the heading "Special Business" in the Notice of AGM. The Directors propose that the Share Buyback Mandate be approved at the AGM to authorise the Directors to exercise all powers of the Company to undertake Share Buybacks in accordance with the terms of the Share Buyback Mandate, as well as the rules and regulations set forth in the Act and the Listing Manual. Further details on the proposed adoption of the Share Buyback Mandate are set out in section 2 of this Letter.

If approved by Shareholders at the AGM, the authority conferred by the Share Buyback Mandate will take effect from the date of the AGM and continue in force until the date on which the next annual general meeting of the Company is held or as required by law to be held, whichever is earlier, unless prior thereto, Share Buybacks have been carried out to the full extent mandated, or the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting.

## **2.3. Rationale**

The adoption of the Share Buyback Mandate authorising the Company to purchase or acquire its issued Shares would give the Company the flexibility to undertake purchases or acquisitions of Shares at any time, subject to market conditions, during the period when the Share Buyback Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) share buybacks provide the Company and its Directors with an additional mechanism to facilitate the return of surplus cash over and above the Company's ordinary capital requirements, in an expedient and cost-efficient manner;
- (b) share buybacks will allow the Directors greater flexibility over the Company's share capital structure with a view to enhance the EPS and/or NTA per Share; and
- (c) share buybacks will help to militate against short term market volatility and offset the effects of short term speculation.

The Directors will only engage in Share Buybacks when they believe that it would benefit the Company and Shareholders, taking into consideration factors such as the amount of surplus cash available and the prevailing market conditions. In addition, the Directors do not intend to engage in Share Buybacks to such extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Group, the orderly trading of the Shares, or the listing status of the Company on the SGX-ST.

## 2.4. Authority and Limits on the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised as follows:

### (a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the aggregate issued Shares of the Company as at the date the resolution in relation to the Share Buyback Mandate is approved (being the date of the AGM) (the “**Approval Date**”). Any Shares which are held as treasury shares or as subsidiary holdings will be disregarded for the purposes of computing the 10% limit.

For illustrative purposes only, on the basis of 56,732,159 Shares in issue (excluding 1,000,000 treasury shares) as at the Latest Practicable Date and assuming that on or prior to the AGM (i) no further Shares are issued or repurchased and held as treasury shares, and (ii) no Shares are held as subsidiary holdings, not more than 5,673,215 Shares (representing 10% of the Shares in issue as at the Approval Date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate.

On 25 May 2018, the Company allotted and issued 27,119,659 Bonus Warrants, each warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of \$1.00 for each warrant share. As at the Latest Practicable Date, no Bonus Warrants have been converted to Shares. In the event that any of the Bonus Warrants are exercised during the period between the Latest Practicable Date and the date of the AGM, only those new Shares that are allotted and issued on or prior to the Approval Date pursuant to the exercise of such Bonus Warrants will be taken into account for the purposes of determining the total number of Shares as at the Approval Date.

### (b) Duration of authority

Under the proposed Share Buyback Mandate, Share Buybacks may be made, at any time and from time to time, on and from the Approval Date, up to:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in a general meeting; or
- (iii) the date on which Share Buybacks are carried out to the full extent mandated,

whichever is the earliest.

### (c) Manner of Share Buybacks

Share Buybacks may be made by way of:

- (i) an on-market purchase (“**Market Purchase**”) transacted through the SGX-ST’s trading system or, as the case may be, any other stock exchange on which the Shares are listed and quoted, through one (1) or more duly licensed stock



brokers appointed by the Company for the purpose; and/or

- (ii) an off-market purchase (“**Off-Market Purchase**”), otherwise than on a securities exchange, in accordance with an equal access scheme (as defined in Section 76C of the Act) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme shall satisfy all the conditions prescribed by the Act and the Listing Rules.

(d) **Off-Market Purchase**

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate and the Act, as they consider fit in the interest of the Company in connection with or in relation to any equal access scheme(s). Under the Act, an Off-Market Purchase effected in accordance with an equal access scheme must satisfy all of the following conditions:

- (i) the offers under the scheme shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
  - (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
  - (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
  - (3) differences in the offers introduced solely to ensure that each member is left with a whole number of Shares.

In addition, Rule 885 of the Listing Rules provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which contain at least the following information:

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed Share Buyback;
- (D) the consequences, if any, of the Share Buyback by the Company that will arise under the Code or other applicable takeover rules;
- (E) whether the Share Buyback, if made, could affect the listing of the Shares on the SGX-ST;
- (F) details of any Share Buybacks made by the Company in the previous 12 months (whether by way of Market Purchases

or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Buybacks, where relevant, and the total consideration paid for such Share Buybacks; and

(G) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(e) **Maximum purchase price**

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buyback shall be determined by the Directors.

However, the purchase price to be paid for a Share must not exceed:

- (i) in the case of an Market Purchase, 105% of the average of the closing market prices of the Shares over the last five (5) market days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action occurring after the relevant 5-market day period; and
- (ii) in the case of an Off-Market Purchase, 120% of the average of the closing market prices of the Shares over the last five (5) market days on which transactions in the Shares were recorded, immediately preceding the day of making of the offer pursuant to the Off-Market Purchase,

(the "**Maximum Price**"), in each case, excluding brokerage, stamp duties, applicable goods and services tax and other related expenses.

For the purposes of this Section 2.4(e), "**day of making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.5. Status of Purchased Shares

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company in accordance with the Act) will be automatically delisted by the SGX-ST and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition.

## 2.6. Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised below:

(a) **Maximum holdings**

The number of shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) **Voting and other rights**

The treasury shares shall be treated as having no voting rights and shall not be entitled to any dividend or other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up). However, an allotment of shares as fully paid bonus shares in respect of the treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is also allowed if the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) **Disposal and cancellation**

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an share scheme, whether for employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

## **2.7. Source Of Funds**

The Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any purchase or acquisition of Shares may be made only if the Company is solvent and out of the Company's capital or profits. It is an offence for a Director or chief executive officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Act, a company is solvent if at the date of payment the following conditions are satisfied:

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if:
  - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of

commencement of the winding up; or

- (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Buyback Mandate. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

## **2.8. Listing Rules**

### **(a) Reporting requirements**

Rule 886 of the Listing Rules provides that a listed company shall notify the SGX-ST of any Share Buyback as follows:

- (i) in the case of an Market Purchase, by 9.00 a.m. on the Market Day following the day on which it purchases Shares; and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

The notification of such Share Buybacks to the SGX-ST shall be in such form and shall include such details as the SGX-ST may prescribe, such as the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Shares, as applicable.

### **(b) Insider trading**

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because a listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of its Shares pursuant to the Share Buyback Mandate at any time after a price sensitive matter or development has occurred or has been the subject of a decision until the price sensitive information has been announced. In particular, in line with the best practices on securities dealings stated in Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares pursuant to the Share Buy-Back Mandate during the period commencing two (2) weeks immediately preceding the announcement of the Company's first three quarterly results or one (1) month immediately preceding the announcement of the Company's half year or full year results, as the case may be.

(c) **Listing status**

Under the Listing Rules, the Company is required to ensure that at least 10% of its shares excluding treasury shares (excluding preference shares and convertible equity securities) are at all times held by the public.

As at the Latest Practicable Date, 27,044,220 Shares representing approximately 47.67% of the Company's Shares are held in the hands of the public. In undertaking any purchase of its Shares through Market Purchases, the Directors will use their best efforts to ensure a sufficient number of Shares remain in the hands of the public so that the Share Buybacks will not:

- (i) adversely affect the listing status of the Shares on the SGX-ST;
- (ii) cause market illiquidity; or
- (iii) adversely affect the orderly trading of the Shares.

**2.9. Reporting requirements under the Act**

Within 30 days of passing of the Shareholders' resolution to approve the purchase of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA").

The Company shall notify ACRA within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchase or acquisition, including the date of the purchase or acquisition, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase or acquisition, and whether the Shares were purchased or acquired out of the profits or the capital of the Company.

Within 30 days of cancellation or disposal of treasury shares in accordance with provisions of the Act, the Company shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form as required by ACRA.

**2.10. Takeover Implications under the Code**

Appendix 2 of the Code contains the Share Buyback Guidance Note. The takeover implications arising from any purchase or acquisition by the Company of its Shares are set out below.

(a) **Obligation to make a takeover offer**

Pursuant to Appendix 2 of the Code, any increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him resulting from a Share Buyback by the Company will be treated as an acquisition for the purposes of Rule 14 of the Code. Consequently, depending on the number of Shares purchased or acquired by the Company and the number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a takeover offer under Rule 14 of the Code.

(b) **Persons acting in concert**

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or

understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the persons who will be presumed to be acting in concert include the following:

- (i) the following companies:
  - (A) a company;
  - (B) the parent company of (A);
  - (C) the subsidiaries of (A);
  - (D) the fellow subsidiaries of (A);
  - (E) the associated companies of any of (A), (B), (C) or (D);
  - (F) companies whose associated companies include any of (A), (B), (C), (D), or (E); and
  - (G) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and
- (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a takeover offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 of the Code.

(c) **Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Code is that, unless exempted, Directors and parties acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors will not be required to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate unless so required under the Act.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Code as a result of Share Buybacks by the Company are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.**

(d) **Application of the Code**

As at the Latest Practicable Date, New Impetus Strategy Fund (which is a Substantial Shareholder) holds approximately 50.68% of the voting rights of the Company. As Mr Sun Quan (who is a Director of the Company) has a controlling interest in the fund manager of New Impetus Strategy Fund, he is deemed interested in the Shares held by New Impetus Strategy Fund. Accordingly, Mr Sun Quan is deemed interested in approximately 50.68% of the voting rights of the Company held by New Impetus Strategy Fund (together with Mr Sun Quan, the **"Affected Parties"**).

As at the Latest Practicable Date, (a) the Company has 27,119,659 Bonus Warrants outstanding; and (b) none of the Affected Parties has interests in any Bonus Warrants. Please see Section 4 below for more information on the interests of the Directors and Substantial Shareholders.

(i) Scenario 1: None of the Bonus Warrants are exercised

Based on the interests of the Affected Parties as at the Latest Practicable Date, and assuming that:

- (A) there is no change in the shareholdings of each of the Affected Parties between the Latest Practicable Date and the Approval Date;
- (B) no further Shares are issued by the Company on or prior to the Approval Date; and
- (C) none of the Bonus Warrants are exercised between the Latest Practicable Date and date of expiry of the Share Buyback Mandate,

the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date will result in the following:

- (1) the voting rights of New Impetus Strategy Fund in the Company will increase from approximately 50.68%<sup>1</sup> to 56.31%<sup>2</sup>; and
- (2) due to Mr Sun Quan's deemed interest in the Shares held by New Impetus Strategy Fund, the voting rights of Mr Sun Quan in the Company will increase from approximately 50.68% to 56.31%.

Based on the assumptions for Scenario 1, as the shareholding interests of New Impetus Strategy Fund and Mr Sun Quan remains above 50%, the Share Buybacks will not result in the Affected Parties triggering the obligation to make a general offer under Rule 14 of the Code.

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<sup>1</sup> Based on the issued share capital of the Company as at the Latest Practicable Date, being 56,732,159 Shares (excluding treasury Shares).

<sup>2</sup> Based on the issued share capital of the Company comprising 51,058,943 Shares, following Share Buyback of 10% of the issued Shares as at the Latest Practicable Date.

(ii) Scenario 2: Entire Bonus Warrants are exercised

Based on the interests of the Affected Parties as at the Latest Practicable Date, and assuming that:

- (A) there is no change in the shareholdings of each of the Affected Parties between the Latest Practicable Date and the Approval Date;
- (B) no further Shares are issued by the Company on or prior to the Approval Date; and
- (C) the entire 27,119,659 Bonus Warrants are exercised after the Approval Date, resulting in the shareholding interest of New Impetus Strategy Fund and Mr Sun Quan being diluted from 50.68%<sup>3</sup> to 34.29%<sup>4</sup>;

the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date will result in the following:

- (1) the voting rights of New Impetus Strategy Fund in the Company will increase from approximately 34.29%<sup>5</sup> to 36.77%<sup>6</sup>; and
- (2) due to Mr Sun Quan's deemed interest in the Shares held by New Impetus Strategy Fund, the voting rights of Mr Sun Quan in the Company will increase from approximately 34.29% to 36.77%.

Based on the assumptions in Scenario 2, in the event the Company undertakes Share Buybacks of up to 10% of its issued shares (excluding treasury shares) within any six (6) months period as permitted by the Share Buyback Mandate, the shareholding interest of the Affected Parties may increase by more than 1% within a six (6) month period arising from Share Buybacks undertaken by the Company. Accordingly, the Affected Parties would *prima facie* be required to make a general offer for all the Shares held by the other Shareholders under Rule 14 of the Code.

(e) **Conditions for Exemption from making a General Offer under Rule 14 of the Code**

Pursuant to Section 3(a) of Appendix 2 of the Code, the Affected Parties will be exempted from the requirement to make a general offer under Rule 14 of the Code as a result of any Share Buyback carried out pursuant to the Share Buyback Mandate, subject to the following conditions:

- (i) this Circular to Shareholders seeking their approval for the adoption of the Share Buyback Mandate contains advice to the effect that by voting in favour of the Share Buyback Mandate, Shareholders are waiving their rights to a general

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<sup>3</sup> Based on the issued share capital of the Company as at the Latest Practicable Date, being 56,732,159 Shares (excluding treasury Shares).

<sup>4</sup> Based on the issued share capital of the Company comprising 83,851,818 Shares, following exercise of the entire Bonus Warrants.

<sup>5</sup> Based on the issued share capital of the Company comprising 83,851,818 Shares, following exercise of the entire Bonus Warrants.

<sup>6</sup> Based on the issued share capital of the Company comprising 78,178,602 Shares, following: (a) exercise of the entire Bonus Warrants; and (b) Share Buyback of 10% of the issued Shares as at the Latest Practicable Date.



offer at the required price from the Affected Parties, who, as a result of the Company buying back its Shares, would increase their voting rights by more than 1% in any six (6) months period. The names of the members of the Affected Parties and their voting rights at the time of the resolution and after the Share Buyback should also be disclosed in the same Circular;

- (ii) the resolution for the proposed adoption of the Share Buyback Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make a general offer as a result of the Share Buyback;
- (iii) the Affected Parties abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to approve the proposed adoption of the Share Buyback Mandate;
- (iv) within seven (7) days after passing of the resolution to approve the adoption of the Share Buyback Mandate, Mr Sun Quan submits to the SIC a duly signed form as prescribed by the SIC;
- (v) the Affected Parties not having acquired and will not acquire any Shares between the date on which they know that the announcement of the Share Buyback under the Share Buyback Mandate is imminent and the earlier of:
  - (A) the date on which the authority of the Share Buyback Mandate expires; and
  - (B) the date on which the Company announces it has bought back such number of Shares as authorised by the Share Buyback Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Share Buyback, would cause them to incur an obligation to make a general offer under the Code.

As such, if the aggregate voting rights held by the Affected Parties increase by more than one percent (1%) solely as a result of Share Buybacks pursuant to the Share Buyback Mandate, and none of them has acquired any Shares during the relevant six (6) months period, the Affected Parties would be eligible for the exemption from the requirement to make a general offer under Rule 14 of the Code, or where such exemption had been granted, would continue to enjoy the exemption.

If the Company has bought back such number of its Shares as authorised by the Shareholders at the latest general meeting or has ceased to buy back its Shares and the aggregate voting rights held by the Affected Parties have increased by one percent (1%) or more as a result of the Company repurchasing its Shares, the Affected Parties will incur a bid obligation for the Company if they purchase or acquire any additional voting rights in the Company (other than as a result of the Company buying back Shares under the Share Buyback Mandate) before the date of the Company's next annual general meeting is or required to be held.

If the Company ceases to buy back its Shares and the increase in the aggregate voting rights held by the Affected Parties as a result of the relevant buyback of Shares at such time is less than one percent (1%), the Affected Parties may acquire further voting rights in the Company. However, any increase in the percentage voting rights as a result of the buyback under the Share Buyback Mandate will be taken into account together with any voting rights acquired by the Affected Parties (by whatever means) in determining whether the Affected Parties has increased their aggregate voting rights in the Company by more than one percent (1%) in any six (6) months period.

(f) **Form 2 submission to the SIC**

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2) is the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption as set out in Section 2.10(e) above from the requirement to make a takeover offer under Rule 14 of the Code as a result of the buyback of shares by a listed company under its share buyback mandate.

As at the Latest Practicable Date, Mr Sun Quan has informed the Company that he will be submitting a Form 2 to SIC within seven (7) days after passing of the resolution relating to the proposed adoption of the Share Buyback Mandate as set out in the Notice of EGM.

(g) **General**

**Shareholders should note that by voting for the Share Buyback Mandate, they are waiving their rights to a takeover offer by the Affected Parties in the circumstances set out above. Such a takeover offer, if required to be made and had not been exempted by SIC, would have to be made in cash or be accompanied by a cash alternative at not less than the highest price (excluding related expenses) paid by the Affected Parties or by the Company for any Share within the preceding six (6) months.**

Save as disclosed above, the Directors are not aware of any other fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and may become obligated to make a mandatory offer in the event that the Company purchases or acquires the maximum number of Shares under the Share Buyback Mandate.

## **2.11. Tax Implications**

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

## **3. FINANCIAL EFFECTS OF THE SHARE BUYBACKS**

It is not possible for the Company to realistically calculate or quantify the financial effects of Share Buybacks made pursuant to the Share Buyback Mandate as the resultant effect would depend on, *inter alia*, the number of Shares purchased or acquired, the price paid for such Shares and the manner in which the purchase or acquisition is funded.

Under the Act, any purchase or acquisition of Shares may only be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for a Share Buyback is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for a Share Buyback is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Share Buybacks will only be effected after assessing the relative impact of a Share Buyback taking into consideration both financial factors (such as cash surplus, debt position, availability of financial resources and working capital requirements) and non-financial factors (such as share market conditions, funding arrangements, expansion and investment plans of the Group and the performance of the Shares). The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material

adverse effect on the working capital requirements of the Group.

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and the Group are based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018 are set out in **Appendix A** herein.

**Shareholders should note that the financial effects illustrated set out in Appendix A are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Company and the Group for the financial year ended 31 December 2018 and is not necessarily representative of the future financial performance of the Company or the Group.**

**Although the Share Buyback Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back the entire 10% of the issued Shares, nor to such an extent that would materially and adversely affect the financial position of the Company or the Group. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.**

#### 4. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

##### 4.1. Interests in Shares

Based on the Register of Directors and Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholdings of the Directors and Substantial Shareholders in the Shares are as follows:

<u>Directors</u>	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Tan Chu En Ian <sup>(2)</sup>	-	-	909,207	1.60	909,207	1.60
Sinta Muchtar <sup>(2)</sup>	-	-	909,207	1.60	909,207	1.60
Yeung Koon Sang alias David Yeung	10,000	0.02	-	-	10,000	0.02
Dr Vasoo Sushilan	10,000	0.02	-	-	10,000	0.02
Teng Cheong Kwee	10,000	0.02	-	-	10,000	0.02
Sun Quan <sup>(3)</sup>	-	-	28,750,000	50.68	28,750,000	50.68
Wu Pingwei	-	-	-	-	-	-
<u>Substantial Shareholders (other than Directors)</u>						
New Impetus Strategy Fund	28,750,000	50.68	-	-	28,750,000	50.68

##### Notes:

- (1) Based on the total issued and paid-up share capital of the Company of 56,732,159 shares excluding 1,000,000 treasury shares, as at the Latest Practicable Date.
- (2) Mr Tan Chu En Ian and Ms Sinta Muchtar are spouses. Each of them owns 50% of the issued and paid up share capital of Treadstone Holdings Pte. Ltd. They are therefore deemed interested in the 909,207 Shares held by Treadstone Holdings Pte. Ltd.

- (3) Mr Sun Quan is deemed interested in the Shares held by New Impetus Strategy Fund by virtue of his controlling interest in the fund manager of New Impetus Strategy Fund.

#### 4.2. Interests in Bonus Warrants

Based on the warrant register maintained under the provisions of the deed poll dated 8 May 2018 constituting the Bonus Warrants, as at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Bonus Warrants are as follows:

<b><u>Directors</u></b>	<b>Direct Interest</b>		<b>Deemed Interest</b>		<b>Total Interest</b>	
	<b>No. of Bonus Warrants</b>	<b>%<sup>(1)</sup></b>	<b>No. of Bonus Warrants</b>	<b>%<sup>(1)</sup></b>	<b>No. of Bonus Warrants</b>	<b>%<sup>(1)</sup></b>
Tan Chu En Ian <sup>(2)</sup>	-	-	909,207	3.35	909,207	3.35
Sinta Muchtar <sup>(2)</sup>	-	-	909,207	3.35	909,207	3.35
Yeung Koon Sang alias David Yeung	10,000	0.04	-	-	10,000	0.04
Dr Vasoo Sushilan	10,000	0.04	-	-	10,000	0.04
Teng Cheong Kwee	10,000	0.04	-	-	10,000	0.04
Sun Quan <sup>(3)</sup>	-	-	-	-	-	-
Wu Pingwei	-	-	-	-	-	-
<b><u>Substantial Shareholders (other than Directors)</u></b>						
New Impetus Strategy Fund	-	-	-	-	-	-

**Notes:**

- (1) Based on the total number of outstanding Bonus Warrants of 27,119,659 Bonus Warrants as at the Latest Practicable Date.
- (2) Mr Tan Chu En Ian and Ms Sinta Muchtar are spouses. Each of them owns 50% of the issued and paid up share capital of Treadstone Holdings Pte. Ltd. They are therefore deemed interested in the 909,207 Bonus Warrants held by Treadstone Holdings Pte. Ltd.
- (3) Mr Sun Quan is deemed interested in the Bonus Warrants held by New Impetus Strategy Fund by virtue of his controlling interest in the fund manager of New Impetus Strategy Fund.

#### 5. DETAILS OF SHARES PURCHASED BY THE COMPANY IN THE PREVIOUS 12 MONTHS

The Company currently does not have in force a share buyback mandate and accordingly has not purchased any shares during the 12-months period preceding the Latest Practicable Date.

#### 6. DIRECTORS' RECOMMENDATION

Having fully considered, *inter alia*, the rationale and benefit of the proposed Share Buyback Mandate, the Directors (except for Mr Sun Quan who has abstained from making any recommendation in respect of the proposed adoption of the Share Buyback Mandate) are of the view that the proposed Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolution for the proposed adoption of the Share Buyback Mandate.

#### 7. ABSTENTION FROM VOTING

In accordance with the conditions under Appendix 2 of the Code as set out in Section 2.10(e), the Affected Parties shall abstain from

voting at the AGM in respect of the proposed Share Buyback Mandate.

Furthermore, the Affected Parties shall undertake to decline to accept appointment as proxies to vote at the AGM in respect of the resolution relating to the approval of the Share Buyback Mandate for other Shareholders unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

#### **8. ADVICE TO SHAREHOLDERS**

Shareholders are advised to read this Letter in its entirety and for any Shareholder who may require advice in the context of his specific investment, to consult his bank manager, stockbroker, solicitor, accountant or other professional adviser.

#### **9. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.

Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 during normal office hours from the date of this Letter up to the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 December 2018.

Yours faithfully  
For and on behalf of  
the Board of Directors of  
**AEI CORPORATION LTD.**

Tan Chu En Ian  
Executive Director and Chief Executive Officer

# APPENDIX A – FINANCIAL EFFECTS OF THE SHARE BUYBACK MANDATE

## Financial Effects of the Share Buyback Mandate (For illustrative purposes only)

### 1. Bases and assumptions

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and the Group are prepared based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 and the assumptions set out below:

#### (a) Exercise in full of the Share Buyback Mandate

Based on 56,732,159 Shares in issue (excluding treasury shares) as at the Latest Practicable Date and assuming that on or prior to the Approval Date (i) no further Shares are issued or repurchased and held as treasury shares, and (ii) no Shares are held as subsidiary holdings, the Share Buyback by the Company of up to 10% of its Shares (disregarding treasury shares), will result in the Share Buyback of 5,673,215 Shares pursuant to the Share Buyback Mandate.

#### (b) Maximum price to be paid for Share Buybacks

(i) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 5,673,215 Shares at the Maximum Price of S\$0.74 per Share (being 5% above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 5,673,215 Shares is S\$4,198,179; and

(ii) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 5,673,215 Shares at the Maximum Price of S\$0.84 per Share (being 20% above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 5,673,215 Shares is S\$4,765,501.

#### (c) General

(i) The purchase or acquisition of Shares pursuant to the Share Buyback Mandate were made entirely out of capital taking into consideration the financial results of the Company for the financial year ended 31 December 2018;

(ii) The expenses (including but not limited to brokerage, commission, applicable goods and services tax and other related expenses) incurred for the Share Buyback are disregarded for the purposes of calculating the financial effects;

(iii) None of the Bonus Warrants have been exercised.

### 2. Proforma Financial Effects

The financial effects set out below are based on certain assumptions and purely for illustrative purposes only, and are not

projections of the actual future financial performance or financial position of the Company or the Group after the Share Buybacks pursuant to the Share Buyback Mandate.

### Share Buybacks made out of capital

- (a) Scenario 1A – Share Buybacks made entirely out of capital and cancelled
- (b) Scenario 1B – Share Buybacks made entirely out of capital and held as treasury shares

### 2.1 Company – Illustrative financial effect on the Company for Scenarios 1A and 1B

	Market Purchases		Off-Market Purchases		
	Scenario 1A	Scenario 1B	Scenario 1A	Scenario 1B	
	Before Share Buybacks	After Share Buybacks and cancellation	After Share Buybacks and held as treasury shares	After Share Buybacks and cancellation	After Share Buybacks and held as treasury shares
<b>Company</b>					
<b>As at 31 December 2018</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>
Shareholders' Funds	50,117	45,919	45,919	45,351	45,351
NTA	50,117	45,919	45,919	45,351	45,351
Current Assets	37,457	33,259	33,259	32,691	32,691
Current Liabilities	725	725	725	725	725
Working Capital	36,732	32,534	32,534	31,966	31,966
Total Borrowings	-	-	-	-	-
Net Loss	10,145	10,145	10,145	10,145	10,145
Treasury Shares	-	-	4,198	-	4,766
Number of Shares	56,732,159	51,058,944	51,058,944	51,058,944	51,058,944
<b>Financial Ratios</b>					
NTA per Share (cents)	88.3	89.9	89.9	88.8	88.8
Gearing (%)	-	-	-	-	-
Current Ratio (times)	51.7	45.9	45.9	45.1	45.1
EPS (cents)	(17.9)	(19.9)	(19.9)	(19.9)	(19.9)

## 2.2 Group – Illustrative financial effect on the Group for Scenarios 1A and 1B

Group	Market Purchases			Off-Market Purchases	
	Scenario 1A		Scenario 1B	Scenario 1A	Scenario 1B
	Before Share Buybacks	After Share Buybacks and cancellation	After Share Buybacks and held as treasury shares	After Share Buybacks and cancellation	After Share Buybacks and held as treasury shares
<b>As at 31 December 2018</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>
Shareholders' Funds	52,427	48,229	48,229	47,661	47,661
NTA	52,427	48,229	48,229	47,661	47,661
Current Assets	43,426	39,228	39,228	38,660	38,660
Current Liabilities	3,550	3,550	3,550	3,550	3,550
Working Capital	39,876	35,678	35,679	35,110	35,110
Total Borrowings	2,744	2,744	2,744	2,744	2,744
Net Loss	5,902	5,902	5,902	(5,902)	(5,902)
Treasury Shares	-	-	4,198	-	4,766
Number of Shares	56,732,159	51,058,944	51,058,944	51,058,944	51,058,944
<b>Financial Ratios</b>					
NTA per Share (cents)	92.4	94.5	94.5	93.3	93.3
Gearing (%)	5.2	5.7	5.7	5.8	5.8
Current Ratio (times)	12.2	11.1	11.1	10.9	10.9
EPS (cents)	(10.4)	(11.6)	(11.6)	(11.6)	(11.6)