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23 June 2003

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Number of pages - 5

Dear Sirs,

698 Capital International Limited - Takeover Bid for Advanced Engine Components Limited

We act for 698 Capital International Limited ("698 Capital").

On behalf of 698 Capital, we enclose an announcement relating to 698 Capital's proposed takeover bid for Advanced Engine Components Limited involving an offer for all of the ordinary shares in that company.

Yours faithfully



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23 June 2003

Company Announcements Office
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Dear Sirs

Takeover Offer for Advanced Engine Components Limited ABN 67 009 081 770

698 Capital International Limited ("698 Capital") announces its intention to make an off-market takeover offer ("Offer") for those shares in Advanced Engine Components Limited ("AEC") that it does not already own.

698 Capital is a private investment firm based in Hong Kong and focused on high growth investment opportunities in the Asia Pacific region.

698 Capital will offer 0.9961 cents in cash per AEC share.

698 Capital currently owns 19.9% of AEC's shares on issue.

Shares in AEC are currently suspended from trading. The Offer represents an opportunity for AEC shareholders wishing to sell their shares to exit the company.

The Offer may only be accepted in respect of all (as opposed to part) of an AEC shareholder's shares in the company.

The Offer is subject to a number of defeating conditions, which are set out in full in Annexure 1 to this announcement. In summary they are:

- 698 Capital and its associates having a relevant interest in at least 50.1% of the number of AEC shares on issue;
- no prescribed occurrence in section 652C of the Corporations Act occurring in relation to AEC, other than the sale of AEC's Sprintex and Bullet Car divisions;
- no event, change or condition occurring, has been announced, or becoming known to 698 Capital which has had, or is reasonably likely to have, a material adverse effect on the AEC group; and
- no acquisitions, disposals or other transactions occurring which are likely to involve a material change in the manner in which the AEC group conduct its business or affects any material asset of the AEC group, other than the sale of AEC's Sprintex and Bullet Car divisions.

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698 Capital International Limited

Page 2

698 Capital intends to declare its bid unconditional 1 business day after it has acquired at least 50.1% of the AEC shares provided that at that time no defeating conditions have been breached.

698 Capital will pay all shareholders who accept the Offer within 7 days of the date of their acceptance or the date the Offer becomes unconditional, whichever is later, and in any event (assuming the Offer becomes unconditional), no later than 7 days after the end of the Offer Period.

698 Capital will pay all stamp duty on the transfer of shares to 698 Capital under the Offer.

It is intended that the acquisition of AEC will be funded from existing internal resources of 698 Capital.

698 Capital will use its best endeavours to lodge the Bidder's Statement with ASIC within 14 days of the date of this announcement and to dispatch the Bidder's Statement to AEC shareholders 14 to 21 days thereafter, or at such earlier time as the directors of 698 Capital and AEC may agree.

Yours faithfully



Thomas Liu
Director

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Annexure 1

Conditions of the Offer

The Offer and any contract arising from acceptance of the Offer is subject to the fulfilment of the following conditions:

1. **Minimum acceptance condition**

At the end of the Offer Period, 698 Capital and its associates have relevant interests in the number of AEC shares which is equal to at least 50.1% of the number of AEC shares then on issue.

2. **Prescribed occurrences**

That between the date of this announcement ("Announcement Date") and the end of the Offer Period, no Prescribed Occurrence occurs other than the sale, transfer, disposal or closure of AEC's Sprintex and Bullet Car divisions.

"Prescribed Occurrence" means any of the following events occur:

- (a) AEC converts all or any of its shares into a larger or smaller number of shares;
- (b) AEC or a subsidiary of AEC resolves to reduce its share capital in any way;
- (c) AEC or a subsidiary of AEC:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Act;
- (d) AEC or a subsidiary of AEC issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option;
- (e) AEC or a subsidiary of AEC issues, or agrees to issue, convertible notes;
- (f) AEC or a subsidiary of AEC disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) AEC or a subsidiary of AEC charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) AEC or a subsidiary of AEC resolves that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of AEC or of a subsidiary of AEC;
- (j) the making of an order by a court for the winding up of AEC or of a subsidiary of AEC;
- (k) an administrator of AEC, or of a subsidiary of AEC, being appointed under section 436A, 436B or 436C of the Act;
- (l) AEC or a subsidiary of AEC executing a deed of company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of AEC or of a subsidiary of AEC.

3. **No material adverse change**

That between the Announcement Date and the end of the Offer Period, no material adverse change or event, either individually or in aggregate, occurs, is announced or otherwise becomes public in relation to the structure, business, financial or trading position or condition, assets or liabilities, profitability or prospects of AEC or its subsidiaries, taken as a whole.

4. **No material acquisitions, disposals or changes in business**

That between the Announcement Date and the end of the Offer Period, there are no acquisitions, disposals or other transactions, actions, proceedings, circumstances or changes in circumstances which are likely to involve a material change in the manner in which AEC or any of its subsidiaries conduct their businesses or is likely to affect any material asset of AEC or any of its subsidiaries, other than the sale, transfer, disposal or closure of AEC's Sprintex and Bullet Car divisions.