

CLAYTON UTZ

Sydney

Melbourne

Brisbane

Perth

Canberra

Darwin

Clayton Utz
Lawyers
BankWest Tower
108 St. Georges Terrace
Perth WA 6000
Australia

Fax

18 July 2003

GPO Box P1214
Perth WA 6844

The Company Announcements Office
Australia Stock Exchange Limited
PERTH WA 6000

T +61 8 9426 8000
F +61 8 9481 3095
www.claytonutz.com

1900 999 279

Our reference: 60011/60054/60008493

Number of pages - 50

Dear Sir

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

We confirm that we act for 698 Capital International Limited ("698 Capital").

In accordance with Item 8 of section 633(1) of the Corporations Act, we confirm that the Bidder's Statement, including the offer dated 18 July 2003, in relation to 698 Capital's takeover bid for all the ordinary shares in Advanced Engine Components Limited has today been dispatched to shareholders of Advanced Engine Components Limited in accordance with Item 6 of section 633(1) of the Corporations Act.

Attached is a copy of the Bidder's Statement dispatched to shareholders of Advanced Engine Components Limited.

A copy of Advanced Engine Components Limited's Target's Statement and Annual Report for the year ended 30 June 2002 was also included in each envelope sent to shareholders containing the Bidder's Statement.

Yours faithfully



Will Moncrieff
Partner
+61 8 9426 8541
wmoncrieff@claytonutz.com

Contact:
Robyn Gilbert
Senior Associate
+61 8 9426 8540
rgilbert@claytonutz.com

CASH OFFER AND BIDDER'S STATEMENT

IN RELATION TO AN OFF MARKET BID BY

698 CAPITAL INTERNATIONAL LIMITED

ARBN 105 459 130

A COMPANY INCORPORATED IN THE BRITISH VIRGIN ISLANDS

TO ACQUIRE ALL OF YOUR ORDINARY SHARES IN

ADVANCED ENGINE COMPONENTS LIMITED

ACN 009 081 770

FOR 1 CENT CASH FOR EACH ORDINARY SHARE

This is an important document and requires your immediate attention.

**If you are in any doubt as to how to deal with this document please consult your financial adviser
or other professional adviser.**

*Table of Contents***Table of Contents**

1.	Offer at a glance.....	3
2.	The bidder	4
3.	698 Capital's Intentions	6
4.	Offer.....	9
5.	Provision of cash consideration.....	18
6.	Tax considerations in relation to the Offer	19
7.	Additional information.....	21
8.	Defined terms and interpretation.....	24
	Annexure	27

Information about this Document

This document is a bidder's statement ("Statement") given by 698 Capital pursuant to Part 6.5 of Chapter 6 of the Corporations Act 2001 (Cth) and in compliance with the requirements of sections 636 and 637 of the Corporations Act 2001 (Cth) in relation to the Offer.

The date of this Statement is 4 July 2003.

ASIC and ASX involvement

A copy of this Statement was lodged with the Australian Securities and Investments Commission ("ASIC") on 4 July 2003. Neither ASIC nor any of its officers takes any responsibility as to the contents of this Statement.

A copy of this Statement was also lodged with the Australian Stock Exchange Limited ("ASX") on 4 July 2003. Neither ASX nor any of its officers takes any responsibility as to the contents of this Statement.

Investment decision

This Statement does not take into account the individual investment objectives, financial situation and particular needs of each AEC Shareholder or any other person. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your AEC Shares contained in section 4.

Defined terms

A number of defined terms are used in this Statement. Their meaning is set out in section 8.

Acceptance and Transfer Form

The Acceptance and Transfer Form to be used to accept the Offer if your AEC Shares are held in an Issuer Sponsored Holding accompanies this Statement.

*Offer at a glance***1. Offer at a glance**

This summary provides an overview of 698 Capital's Offer and is qualified by the detailed information set out in the remainder of this Statement.

The Offer 698 Capital is offering to acquire all of your AEC Shares.

You may only accept the Offer in respect of all (as opposed to part) of your AEC Shares.

Offer consideration The consideration offered is 1 cent in cash for every AEC Share.

Conditions of the Offer The Offer is subject to a number of conditions all of which must be satisfied or waived in order for 698 Capital to be able to purchase your AEC Shares. The conditions are set out in full in section 4.10. They involve:

- 698 Capital becoming entitled to at least 50.1% of all AEC Shares on issue at the end of the Offer Period;
- no Prescribed Occurrences occurring in relation to AEC, other than the sale of AEC's Sprintex and Bullet Car divisions;
- no material adverse change in relation to the AEC Group; and
- no acquisitions, disposals or other material transactions occurring in respect of the AEC Group, other than the sale of AEC's Sprintex and Bullet Car divisions.

No brokerage You will not pay brokerage on your AEC Shares for which you accept the Offer.

Scheduled close The Offer is scheduled to close at 7:00 pm Perth time on 19 August 2003, unless extended.

Payment terms Consideration will be paid to you on or before the later of:

- 7 days after the date you accept the Offer; and
- 7 days after the date the Offer becomes unconditional,

and in any event (assuming the Offer becomes unconditional), no later than 7 days after the end of the Offer Period (provided all relevant documentation has been given to 698 Capital). This is further described in section 4.3.

How to accept the Offer There are different ways you can accept the Offer depending on the type of your holding of AEC Shares.

- **For CHESSE Holdings of AEC Shares** – instruct your stockbroker or Controlling Participant to initiate acceptance of the Offer on your behalf.
- **For Issuer Sponsored Holdings of AEC Shares** - complete, sign and return the enclosed Acceptance and Transfer Form in accordance with the instructions. A reply paid envelope has been enclosed for shareholders with Australian addresses to return their completed Acceptance and Transfer Form. Overseas shareholders are urged to return their Acceptance and Transfer Form by airmail.

Questions If you have any questions about how to accept or need a replacement Acceptance and Transfer Form, please call Computershare on 1800 001 391 toll free within Australia or +61 3 9649 5241 outside Australia. Please note that for legal reasons, calls to these numbers will be recorded.

2. The bidder**2.1 698 Capital**

698 Capital is a private investment company based in Hong Kong which is focused on high growth investment opportunities in the Asia Pacific region. 698 Capital seeks to identify and leverage cross border technology and market opportunities, such as by bringing businesses from developed countries to the larger economies of Asia where lower manufacturing costs combine with large potential marketplaces, or by providing a bridge between pioneering innovators in more mature markets and experienced entrepreneurs in emerging ones. 698 Capital brings together a group of investment professionals with diversified backgrounds in entrepreneurship, law, finance and operations and also enjoys a close affiliation with the investment community across Asia and North America.

698 Capital was incorporated in British Virgin Islands on 18 December 2002. An application for registration of 698 Capital as a foreign company pursuant to Part 5.B2, Division 2 of the Corporations Act was made to ASIC on 2 July 2003.

2.2 Shareholders of 698 Capital

698 Capital is a wholly owned subsidiary of High Target Investments Limited which, in turn, is a wholly owned subsidiary of Sunpex Investments Limited. Both companies were incorporated in British Virgin Islands.

Sunpex Investments Limited is wholly owned by Dr C. Daniel Wu, a resident of the Republic of China, on Taiwan.

Dr C Daniel Wu has been Chairman of Grand Pacific Petrochemical Corporation, a Taiwan Stock Exchange listed firm, since 1994. Dr Wu also serves as Chairman of BioCare Corporation, a biomedical device manufacturer, and VideoLand Corporation, a television programming company, both based in Taiwan. Previously, Dr Wu was the President of Grand Pacific Petrochemical from 1992 to 1994 and President and Chief Executive Officer of California based Wyse Technology Corporation from 1990 to 1994. He has also served as Chairman of the non-profit Monte Jade Science and Technology Association based in California (1993-1994), Chairman of Precision Semiconductor Mask Corporation in Taiwan (1998-2000) and Vice Chairman of the private equity firm Crimson Asia Capital Holdings (1997-2000).

Dr Wu received his Bachelor of Science from the National Taiwan University and Ph.D. in Chemical Engineering from the University of Delaware in the United States.

2.3 Directors and officers of 698 Capital

The current directors and officers of 698 Capital are:

Mr Thomas Liu	Managing Director
Mr Arthur Wang	Managing Director
Mr William Lee	Director and Chief Financial Officer

Thomas Liu is a co-founder and Managing Director of 698 Capital. Prior to establishing 698 Capital in February 2000, he was Vice President of Corporate Finance at KGI Asia Limited, a regional investment bank, where he advised clients on over US\$400 million in international investments. He was also a Director of the UFJ Asia Finance Technology Fund established by the UFJ Banking Group of Japan. Previously, Mr Liu worked at PKF Consulting Limited, then a global leader in hospitality consultancy services. Mr Liu is a graduate with dual Bachelor of Arts degrees from Boston University.

Arthur Wang is a co-founder and Managing Director of 698 Capital. He is also a Non-Executive Director and Chairman of the Audit Committee of the Hong Kong Stock Exchange listed Linmark Group. Previously, Mr Wang was a co-founder and Executive Director of KGI Asia Limited, a regional investment bank. He was also a Director of the UFJ Asia Finance Technology Fund established by the UFJ Banking Group (formerly Sanwa Bank) of Japan. Mr Wang was also a member of the Board and

The bidder

Audit Committee Chairman of Softbank Investment International (Strategic) Limited, the Hong Kong Stock Exchange listed arm of the Softbank Corporation of Japan. Mr Wang received his Juris Doctorate degree from Yale Law School and practiced corporate and securities law in the Hong Kong and New York offices of Skadden, Arps, Slate, Meagher & Flom LLP. He also graduated with Phi Beta Kappa honours and a Bachelors of Arts degree from the University of California at Los Angeles.

William Lee is a Director and Chief Financial Officer of 698 Capital. He is a Chartered Financial Analyst (CFA) and Chartered Certified Accountant. Previously, Mr Lee was Assistant Vice President at KGI Asia and Corporate Finance Officer at China Development Finance (now BOCI Asia). He has also worked as Senior Accountant with KPMG Peat Marwick, performing financial audits and special assignments for various public companies in Hong Kong and China. Mr Lee received a Masters of Business Administration from the Hong Kong University of Science and Technology in 1997.

*698 Capital's intentions***3. 698 Capital's Intentions****3.1 Introduction**

This section 3 sets out 698 Capital's intentions in relation to:

- the continuation of the business of AEC;
- any major changes to be made to the business of AEC, including any redeployment of the fixed assets of AEC; and
- the future employment of the present employees of AEC,

on the basis of information concerning AEC and the circumstances affecting the business of AEC which are known to 698 Capital.

The final decisions on these matters will only be reached in the light of all material facts and circumstances at the relevant time. Following completion of the Offer, 698 Capital intends to review all aspects of the business of AEC to evaluate its performance, profitability and prospects in light of the information then available to it. Accordingly, the statements set out in this section 3 are statements of current intention only which may vary as circumstances require.

3.2 Intentions upon ownership of 100% of AEC

If 698 Capital comes to own 100% of the issued securities in AEC, its intentions are as follows:

Strategic review

698 Capital intends to conduct an immediate review of AEC's assets and operations to identify:

- business opportunities generated by the acquisition, areas of cost savings and business which may provide overall strategic and operational benefits; and
- those parts of the operations which are underperforming so that those parts might be re-structured and/or disposed of for optimal overall strategic and operational effect.

Subject to the conclusions of that review, it is the present intention of 698 Capital to:

- continue the business of AEC in substantially the same manner in which it is presently being conducted, with the exception of the Bullet Car and Sprintex divisions (as to these divisions, see below);
- build and strengthen AEC's position as a leading technology provider in the clean burning engine industry;
- continue the employment of AEC's present employees, other than those employed in AEC's Bullet Car and Sprintex divisions; and
- develop new markets for AEC's products, in particular in the larger economies of Asia, including India and China.

Corporate and management functions

698 Capital intends to:

- reconstitute the board of AEC with nominees of 698 Capital (including Daniel Wu, Thomas Liu, Arthur Wang and William Lee, who have agreed to accept appointment) and the current executive directors of AEC, if they agree to remain as directors; and
- implement improved practices for management and control functions.

698 Capital's intentions

The biographies of Messrs Liu, Wang and Lee are set out in section 2.3. Dr Wu's details are set out in section 2.2.

It is the present intention of 698 Capital to seek the appointment of Dr Wu as Chairman of AEC.

Bullet Car and Sprintex divisions

698 Capital understands that the current Board and management of AEC are considering the sale or closure of the Bullet Car and Sprintex divisions of AEC. If these actions are not completed prior to 698 Capital obtaining 100% ownership of AEC, 698 Capital intends to continue with the direction and course set by the current Board and management with respect to those divisions. In the event that the Bullet Car and Sprintex divisions of AEC are not sold, it is 698 Capital's present intention to close these divisions down.

Other

698 Capital intends to seek to have AEC removed from the official list of ASX if 100% ownership of AEC is achieved.

3.3 Intentions upon ownership of less than 100% of AEC

If following completion of the Offer, 698 Capital does not own 100% of the issued shares in AEC, its intentions are as follows.

698 Capital intends to procure that its related companies, CEL and 698 Asia Pacific, extend the repayment dates of their respective loans to AEC to 20 June 2004. The loans are currently due for payment on 31 July 2003 or such later date as may be advised to AEC in writing. Further details of these loans are contained in section 7.3.

698 Capital also intends, subject to the Corporations Act and the constitution of AEC, to seek to appoint such number of persons to the board of directors of AEC which at least reflects 698 Capital's percentage shareholding in AEC. 698 Capital then intends to cause its representatives on the AEC board to:

- maintain AEC as a company on the official list of ASX, unless AEC has less than the required spread of security holders under the Listing Rules, in which case 698 Capital will seek to have AEC removed from the official list of ASX;
- undertake a strategic review of AEC, as described in section 3.2. 698 Capital would seek to work in close consultation with AEC management in conducting the strategic review. Any proposals put forward by 698 Capital in relation to that review would be accompanied by a business case in support of the proposal; and
- implement such of the other intentions mentioned in section 3.2 as are consistent with 698 Capital's percentage shareholding in AEC at that time.

Note that:

- the implementation of any steps referred to above (other than seeking to appoint persons to the board of directors of AEC) would only be undertaken where those steps are in accordance with all applicable legal and regulatory requirements, the Listing Rules, the fiduciary and statutory duties of the directors of AEC and after considering the advice of legal and financial advisers. In particular, the AEC directors may only implement any such steps if they consider the steps to be in the best interests of AEC; and
- any transactions between members of the 698 Capital Group and AEC required to give effect to any steps referred to in this section 3.3 will be negotiated on arm's length terms. The 698 Capital Group would support, and expects that the AEC board would require, that protocols (including, where necessary, board sub-committees comprising a majority of independent directors) be established to ensure that any related party transactions are on arm's length terms.

*698 Capital's intentions***3.4 Compulsory acquisition****Compulsory acquisition following takeover bid**

If 698 Capital becomes entitled to proceed to compulsory acquisition of AEC Shares following the Offer (as a result of the acquisition of shares under the Offer or otherwise) then, subject to satisfaction or waiver of the conditions of the Offer, 698 Capital intends to proceed to compulsory acquisition of outstanding AEC Shares in accordance with the provisions of the Corporations Act.

General compulsory acquisition

Even if 698 Capital does not become entitled to proceed to compulsory acquisition of AEC Shares following the Offer under Part 6A.1 of the Corporations Act, it may nevertheless be or become entitled to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act to acquire outstanding shares in AEC. If appropriate, 698 Capital intends to exercise such rights if they become available.

3.5 Other Intentions

Subject to sections 3.1 to 3.4, it is the present intention of 698 Capital:

- (a) to continue to operate the business of AEC;
- (b) not to make any major changes to the business of AEC nor to redeploy any of the fixed assets of AEC, with the exception of AEC's Bullet Car and Sprintex divisions; and
- (c) to continue the employment of AEC's present employees, other than those employed in AEC's Bullet Car and Sprintex divisions.

3.6 Present intentions only

The statements contained in this section represent the present intentions of 698 Capital on the basis of facts and information concerning AEC and the existing circumstances affecting the business of AEC which are known to 698 Capital at the time of the preparation of this Statement. Final decisions, however, will only be made in light of all material information, facts and circumstances necessary to assess the operational, commercial, legal, taxation and financial implications of such decisions at the relevant time. Further, these intentions must be understood to be subject at all times to the paramount obligation of the AEC board, as it may be constituted after completion of this Offer, to act in the best interest of all shareholders of AEC.

4. Offer

This section 4 outlines the terms of the offer by 698 Capital to acquire all of your AEC Shares. The date of this Offer is 18 July 2003.

4.1 The Offer

698 Capital offers to acquire from you on the terms of this Offer all of your AEC Shares.

You may only accept this Offer in respect of all of your AEC Shares.

It is a term of this Offer that 698 Capital will be entitled to all Rights attaching to or arising from AEC Shares acquired by 698 Capital pursuant to this Offer.

4.2 Consideration

Subject to the provisions in this section 4, the consideration offered is 1 cent in cash for every AEC Share.

4.3 Payment of consideration

- (a) Subject to the provisions below of this section 4.3, and the Corporations Act, if you accept this Offer, and the conditions of the Offer and of the contract resulting from the acceptance of the Offer are satisfied or are waived, then 698 Capital will provide the consideration for your AEC Shares on or before the earlier of:
 - (i) 7 days after the later of the date this Offer is validly accepted by you in accordance with this Offer and the date the contract which results from your acceptance of this Offer becomes unconditional; and
 - (ii) 7 days after the end of the Offer Period.
- (b) Payment of the cash amount to which you are entitled by acceptance of this Offer will be made by cheque in Australian currency. The cheque will be sent at your risk by prepaid ordinary mail or, in the case of addressees outside Australia, by prepaid airmail, to the address shown on the Acceptance and Transfer Form.
- (c) If at the time you accept this Offer you are:
 - (i) the Government of Iraq, an agency associated with the Government of Iraq or a national of Iraq;
 - (ii) a person or entity associated with the former Milosevic Government of the Federal Republic of Yugoslavia as named in the instrument dated 5 April 2002 issued under the Australian Banking (Foreign Exchange) Regulations;
 - (iii) the National Union for the Total Independence of Angola ("UNITA"), a senior official or family member of a senior official of UNITA;
 - (iv) a person or entity associated with the Government of Zimbabwe, as named in the annexure to the instrument of 25 November 2002 issued under the Australian Banking (Foreign Exchange) Regulations; or
 - (v) a resident in or a resident of a place outside Australia to which the Australian Banking (Foreign Exchange) Regulations otherwise apply,

you will not be entitled to receive any cash payment under this Offer until all requisite authorities and clearances of the Reserve Bank of Australia (whether under the Australian Banking (Foreign Exchange) Regulations or otherwise) or of the Australian Taxation Office have been obtained by 698 Capital. 698 Capital undertakes to make prompt application for all such authorities or clearances.

Offer

In addition, accounts of persons and entities identified by the Minister of Foreign Affairs as being associated with terrorism are frozen, and transactions with these entities are prohibited, under the *Charter of the United Nations (Anti-Terrorism Measures) Regulations 2001*.

- (d) Where the Acceptance and Transfer Form requires any additional documents to be delivered with your Acceptance and Transfer Form (such as a power of attorney):
- (i) if those documents are delivered with your Acceptance and Transfer Form, 698 Capital will provide the consideration in accordance with paragraph 4.3(a);
 - (ii) if those documents are delivered after your Acceptance and Transfer Form and before the end of the Offer Period while this Offer is subject to a defeating condition, 698 Capital will provide the consideration by the end of whichever of the following periods ends earlier:
 - A. 7 days after this Offer becomes unconditional; or
 - B. 7 days after the end of the Offer Period;
 - (iii) if those documents are delivered after your Acceptance and Transfer Form and before the end of the Offer Period while this Offer is unconditional, 698 Capital will provide the consideration by the end of whichever of the following periods ends earlier:
 - A. 7 days after that document is delivered; or
 - B. 7 days after the end of this Offer Period; and
 - (iv) if those documents are delivered after the end of the Offer Period:
 - A. while this Offer is unconditional, 698 Capital will provide the consideration, within 7 days after those documents are delivered; and
 - B. while the Offer is subject to a defeating condition that relates only to the happening of a Prescribed Occurrence, within 7 days after the Offer becomes unconditional.

4.4 Offer Period

Unless the period is extended in accordance with this section 4 or the Offer is withdrawn in accordance with the Corporations Act, this Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 7:00 pm (Perth time) on 19 August 2003.

698 Capital expressly reserves its right under section 650C of the Corporations Act to extend the period during which this Offer remains open for acceptance or otherwise to vary this Offer in accordance with the Corporations Act.

If within the last 7 days of the Offer Period the Offer is varied to improve the consideration offered or if within the last 7 days of the Offer Period 698 Capital's voting power in AEC increases to more than 50%, then in either case the Offer Period will be mandatorily extended in accordance with section 624(2) of the Corporations Act, so that it ends 14 days after the relevant event.

4.5 Who may accept this Offer

This Offer is made to you as the holder of AEC Shares registered in your name in the register of members of AEC at 7:00 pm (Perth time) on the date of this Statement.

If at the time this Offer is made to you, or at any time during the Offer Period and before you accept this Offer, another person is, or is entitled to be, registered as the holder of, or is able to give good title to, some or all of your AEC Shares ("Transferred Shares") to which this Offer relates, then in accordance

Offer

with section 653B(1)(a) of the Corporations Act:

- (a) a corresponding Offer shall be deemed to have been made at that time to that other person in respect of the Transferred Shares;
- (b) a corresponding Offer shall be deemed to have been made to you in respect of your AEC Shares other than the Transferred Shares; and
- (c) this Offer shall be deemed to have been withdrawn immediately after making such corresponding offers.

If at any time during the Offer Period and before you accept this Offer, your AEC Shares to which this Offer relates consist of two or more separate parcels for the purposes of section 653B of the Corporations Act, then in accordance with section 653B of the Corporations Act, this Offer shall be deemed at that time to consist of separate corresponding offers made to you in relation to the respective separate parcels of AEC Shares and an acceptance by you of any of those separate corresponding offers is ineffective unless you have given to 698 Capital a notice which:

- (a) if it relates to AEC Shares in a CHESS Holding, must be in an electronic form approved by the SCH Business Rules; or
- (b) if it relates to AEC Shares held in an Issuer Sponsored Holding, must be in writing,

indicating that your AEC Shares consist of separate parcels and the acceptance indicates the number of AEC Shares in the separate parcels to which the acceptance relates, provided that you may at the one time accept two or more such separate corresponding Offers as if they were a single offer in relation to separate parcels of AEC Shares.

If this applies to you, contact Computershare toll free on 1800 001 391 within Australia or +61 3 9649 5241 outside Australia for such additional copies of this Statement and Acceptance and Transfer Form as are necessary.

4.6 How to accept this Offer

You may accept this Offer at any time during the Offer Period. Your acceptance must be in respect of all of your AEC Shares.

The manner by which you may accept this Offer will depend on whether your AEC Shares are:

- (a) in a CHESS Holding - your AEC Shares are in a CHESS Holding if they are sponsored by a broker or other Controlling Participant or you are a Broker or Non-Broker Participant; or
- (b) in an Issuer Sponsored Holding - your AEC Shares are in an Issuer Sponsored Holding if they are sponsored directly by AEC as issuer.

If you have any questions about how to accept this Offer, or need a replacement Acceptance and Transfer Form, please contact Computershare on 1800 001 391 within Australia or +61 3 9649 5241 outside Australia.

CHESS Holdings

If any of your AEC Shares are in a CHESS Holding, acceptance of this Offer in respect of those AEC Shares can only be made in accordance with the SCH Business Rules.

To accept this Offer in respect of those AEC Shares you must:

- (a) if you are a Broker or a Non Broker Participant, initiate acceptance of this Offer in accordance with Rule 16.3 of the SCH Business Rules before the end of the Offer Period; or
- (b) otherwise, instruct your Controlling Participant (normally your stockbroker) to initiate acceptance of this Offer in accordance with Rule 16.3 of the SCH Business Rules before the end of the Offer Period.

*Offer***Issuer Sponsored Holdings**

If any of your AEC Shares are in an Issuer Sponsored Holding, then to accept this Offer in respect of those AEC Shares you must:

- (a) complete and sign the Acceptance and Transfer Form in accordance with the instructions on it (which forms part of this Offer and must be observed in accepting the Offer in respect of any AEC Shares held in an Issuer Sponsored Holding); and
- (b) ensure that the Acceptance and Transfer Form and any documents required by the terms of this Offer and the instructions on the Acceptance and Transfer Form are received before the end of the Offer Period, at the following address:

698 Capital International Limited
C/- Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

or, if by hand delivery, delivered to the following address:

698 Capital International Limited
C/- Computershare Investor Services Pty Limited
Level 2
45 St George's Terrace
PERTH WA 6000

Holders of AEC Shares are advised that the method chosen to deliver the Acceptance and Transfer Form and other documents is at the risk of each accepting shareholder.

Acceptance of the Offer in respect of AEC Shares which are in an Issuer Sponsored Holding shall not be complete or effective until the original properly completed and signed Acceptance and Transfer Form (including any documents required by the terms of this Offer and the instructions on the Acceptance and Transfer Form) has been received at an address specified above. 698 Capital may, however, in its sole discretion waive at any time prior to the end of the Offer Period, all or any of those requirements.

If some of your AEC Shares are held in a number of forms

If some of your AEC Shares are in different holdings, your acceptance of this Offer may require action under this section 4 in relation to the separate portions of your AEC Shares.

Nominee holdings

Beneficial owners whose AEC Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting this Offer.

4.7 Validity of acceptances

Your acceptance will not be valid unless it is made in accordance with the procedures set forth in sections 4.5 and 4.6 and in respect of AEC Shares in an Issuer Sponsored Holding, the instructions on the Acceptance and Transfer Form. The Acceptance and Transfer Form forms part of this Offer.

698 Capital will determine, in its sole discretion, all questions as to the form of documents, including the validity, eligibility, including time of receipt, and acceptance of AEC Shares. The determination of 698 Capital will be final and binding on all parties.

698 Capital may, in its sole discretion, at any time deem any Acceptance and Transfer Form it receives to be a valid acceptance in respect of AEC Shares, even if a requirement for acceptance has not been complied with and may waive any requirement of sections 4.5 and 4.6. Payment of consideration in accordance with a Offer will not be made until any irregularity has been resolved or waived and until all documents required to procure registration of 698 Capital as holder of the AEC Shares concerned have

Offer

been received by 698 Capital.

4.8 The effect of acceptance

By signing and returning a Acceptance and Transfer Form in accordance with section 4.6 or initiating acceptance of this Offer in accordance with section 4.6, you will or will be deemed to have:

- (a) accepted this Offer (and any variation of it) irrevocably in accordance with its terms in respect of the Acceptance Shares;
- (b) agreed to transfer to 698 Capital the Acceptance Shares subject to this Offer being declared free from the conditions set out in section 4.10 or such conditions being fulfilled or waived and subject to the provisions of section 4.5;
- (c) authorised 698 Capital (by its directors, servants or agents) to complete on the Acceptance and Transfer Form correct details of your AEC Shares, fill in any blanks remaining on the Acceptance and Transfer Form and rectify any error in or omission from the Acceptance and Transfer Form as may be necessary to make the Acceptance and Transfer Form an effective acceptance of this Offer and transfer the Acceptance Shares to 698 Capital;
- (d) represented and warranted to 698 Capital as a fundamental condition going to the root of the contract resulting from your acceptance that, both at the time of acceptance of this Offer and at the time of registration of the transfer of the Acceptance Shares to 698 Capital, the Acceptance Shares (including any Rights) are fully paid up and free from all mortgages, charges, liens, encumbrances (whether legal or equitable), adverse interests of any nature and restrictions on transfer of any kind and that you have full power, capacity and authority to accept this Offer and sell the Acceptance Shares (including the legal and beneficial ownership in the Acceptance Shares and any Rights);
- (e) represented and warranted to, and agreed with 698 Capital, that the Acceptance Shares will be purchased by 698 Capital with all Rights and that you will execute all such instruments as 698 Capital may require for the purpose of vesting in it any such Rights;
- (f) irrevocably authorised and directed AEC to pay to 698 Capital or to account to 698 Capital for all Rights in respect of Acceptance Shares, subject however to any such Rights received by 698 Capital being accounted for by 698 Capital to you in the event that this Offer is withdrawn or the contract resulting from your acceptance of this Offer is rendered void pursuant to paragraph 4.10(d);
- (g) except where Rights have been paid or accounted for under paragraph 4.8(f), irrevocably appointed 698 Capital and its directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the date that the Offer, or any contract resulting from your acceptance of the Offer, becomes unconditional, to execute all such instruments as 698 Capital may require for the purpose of vesting in it any such Rights in respect of Acceptance Shares;
- (h) represented and warranted to 698 Capital that, unless you have notified in accordance with paragraph 4.5, your AEC Shares do not consist of separate parcels of AEC Shares;
- (i) irrevocably appointed 698 Capital and each of its directors, secretaries and officers from time to time jointly and severally as your true and lawful exclusive attorney in your name and on your behalf, with effect from the date that the Offer, or any contract resulting from your acceptance of the Offer, becomes unconditional, to do all things which you could lawfully do in relation to the Acceptance Shares or in exercise of any right derived from the holding of the Acceptance Shares including, without limitation, the rights to:
 - (i) attend and vote in respect of the Acceptance Shares at any and all meetings of AEC;
 - (ii) requisition or join with other holders of AEC Shares in requisitioning and/or convening a meeting of the members of AEC;

Offer

- (iii) demand a poll for any vote to be taken at any meeting of AEC shareholders;
- (iv) propose or second any resolutions to be considered at any and all meetings of AEC shareholders;
- (v) execute all forms, transfers, assignments, notices, documents, assurances, instruments (including instruments appointing a director of 698 Capital as a proxy in respect of all or any of the Acceptance Shares and a transfer form for the Acceptance Shares), proxies, transfers, consents, agreements and resolutions relating to the Acceptance Shares and as may be necessary or desirable to convey the Acceptance Shares and Rights to 698 Capital; and
- (vi) request AEC to register in the name of 698 Capital or its nominee the Acceptance Shares which you hold on any register of AEC,

and to have agreed that in exercising the powers conferred by that power of attorney the attorney shall be entitled to act in the interests of 698 Capital as the beneficial owner and intended registered holder of the Acceptance Shares and to have further agreed to do all such acts, matters and things that 698 Capital may require to give effect to the matters the subject of this paragraph 4.8(i) (including the execution of a written form of proxy to the same effect as this paragraph 4.8(i) which complies in all respects with the requirements of the constitution of AEC) if requested by 698 Capital.

698 Capital will indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this paragraph. This appointment, being given for valuable consideration to secure the interest acquired in the Acceptance Shares, is irrevocable, and terminates upon registration of a transfer to 698 Capital or its nominee of the Acceptance Shares;

- (j) agreed not to attend or vote in person at any general meeting of AEC or to exercise or purport to exercise any of the powers conferred on 698 Capital or its nominee in paragraph 4.8(i);
- (k) agreed to indemnify 698 Capital in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or in consequence of the transfer of the Acceptance Shares being registered by AEC without production of your Holder Identification Number for the Acceptance Shares;
- (l) authorised 698 Capital to notify AEC on your behalf that your place of address for the purpose of serving notices upon you in respect of the Acceptance Shares is at the address of 698 Capital as specified by 698 Capital in the notification, and that all such notices are to be marked care of 698 Capital and to have directed AEC to serve all correspondence, payments or notifications in respect of any Rights and other communications and documents whatsoever in respect of the Acceptance Shares to 698 Capital at that address; and
- (m) if at the time of acceptance of this Offer the Acceptance Shares are in a CHES Holding, with effect from the date that this Offer or any contract resulting from acceptance of this Offer is declared free from all its conditions, or those conditions are satisfied, authorised 698 Capital to cause a message to be transmitted to SCH in accordance with SCH Business Rule 16.6.1 so as to transfer the Acceptance Shares to 698 Capital's Takeover Transferee Holding. 698 Capital shall be so authorised even though at the time of such transfer it has not paid the consideration due to you under this Offer.

The undertakings and authorities referred to in this section 4.8 will (unless otherwise stated herein) remain in force after you receive the consideration for the Acceptance Shares acquired by 698 Capital and after 698 Capital becomes registered as holder of them.

4.9 Rights

If 698 Capital becomes entitled to any Rights pursuant to an acceptance of this Offer, it may require you

Offer

to give to 698 Capital all documents that may be necessary to vest in it title to those Rights. If you do not give these documents to 698 Capital or if you have received the benefit of those Rights, 698 Capital will be entitled to deduct from the consideration otherwise due to you the amount or value (as reasonably assessed by 698 Capital) of such Rights.

4.10 Conditions of this Offer

- (a) Subject to paragraph 4.10(f), this Offer and any contract arising from acceptance of this Offer is subject to the fulfilment of the following conditions:
 - (i) 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;
 - (ii) that between the 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;
 - (iii) 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; or
 - (iv) 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.
- (b) Each of the conditions in paragraph 4.10(a) is a separate and distinct condition and none of the conditions in paragraph 4.10(a) shall be taken to limit the meaning or effect of any other condition.
- (c) Each of the conditions set out in paragraph 4.10(a) is a condition subsequent.
- (d) The breach or non-fulfilment of any of the conditions in paragraph 4.10(a) does not prevent a contract to sell any of the Acceptance Shares resulting from acceptance of this Offer, but if in respect of any condition in paragraph 4.10(a):
 - (i) 698 Capital has not declared all Offers to be free from the conditions in paragraph 4.10(a) before the date applicable under sub-section 650F(1) of the Corporations Act; and
 - (ii) the conditions in paragraph 4.10(a) have not been fulfilled at the end of the Offer Period,

all contracts resulting from the acceptance of Offers and all acceptances that have not resulted in binding contracts are void. In such a case, 698 Capital will:

 - (iii) return the Acceptance and Transfer Form (if any) together with all documents forwarded by you to the address shown in the Acceptance and Transfer Form; and
 - (iv) notify SCH of the lapse of the Offer in accordance with Rule 16.8 of the SCH Business Rules.
- (e) Subject to the provisions of the Corporations Act, 698 Capital alone shall be entitled to the benefit of the conditions in paragraph 4.10(a) and any non-fulfilment of such conditions may be relied upon only by 698 Capital.

Offer

- (f) Subject to section 650F of the Corporations Act, 698 Capital may, at any time at its sole discretion, declare all Offers, and any contracts resulting from acceptance of all Offers, free from all or any of the conditions referred to in paragraph 4.10(a) by giving notice in writing to AEC. This notice may be given in relation to the conditions in:
 - (i) paragraph 4.10(a) (other than paragraph 4.10(a)(ii)) - not less than seven days before the end of the Offer Period; or
 - (ii) paragraph 4.10(a)(ii) - not later than three Business Days after the end of the Offer Period.
- (g) The date for giving the notice on the status of conditions required by section 630(3) of the Corporations Act is 12 August 2003, subject to variation in accordance with sub-section 630(2) of the Corporations Act if the period during which this Offer remains open for acceptance is extended.
- (h) In testing whether the condition in sub-paragraph 4.10(a)(i) has been met, any relevant interests that 698 Capital has merely because of the operation of section 608(3) of the Corporations Act (relevant interests from holding 20% or greater voting power in a body corporate) will be disregarded.

4.11 Withdrawal of Offer

In accordance with section 652B of the Corporations Act, this Offer may only be withdrawn with the written consent of ASIC which consent may be given subject to such conditions (if any) as are specified in the consent of ASIC. If that happens, 698 Capital will send a notice of withdrawal to AEC and to each person to whom a Offer has been made.

4.12 Variation

698 Capital may at any time, and from time to time, vary this Offer in accordance with Part 6.6 of Chapter 6 of the Corporations Act.

4.13 Brokerage and transaction fees

All costs and expenses of the preparation of this Statement, the preparation and circulation of the Offer and the transfer of AEC Shares as a result of acceptance of an Offer will be paid by 698 Capital.

As long as the Acceptance Shares are registered in your name and you deliver them directly to 698 Capital, you will not incur any brokerage in connection with your acceptance of this Offer. If you hold the Acceptance Shares through a bank, broker or other nominee, you should ask your bank, broker or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of this Offer.

4.14 Notices and return of documents

- (a) Subject to the Corporations Act, a notice or other communication given by 698 Capital to you in connection with the Offer will be deemed to be duly given if it is in writing and:
 - (i) is delivered at your address as recorded on the register of members of AEC or the address shown on the Acceptance and Transfer Form; or
 - (ii) is sent by prepaid ordinary mail, or in the case of any address outside Australia, by prepaid airmail, to you at either of those addresses.
- (b) If:
 - (i) this Offer is withdrawn after your Acceptance and Transfer Form has been sent to 698 Capital, but before it has been received; or
 - (ii) for any other reason 698 Capital does not acquire AEC Shares to which your Acceptance and Transfer Form relates,

Offer

698 Capital will despatch at your risk your Acceptance and Transfer Form together with all other documents forwarded by you to your address as shown on the Acceptance and Transfer Form or such other address as you may notify in writing to 698 Capital by, where such address is inside Australia, prepaid ordinary post or, where such address is outside Australia, prepaid airmail.

- (c) Any notices to be given by 698 Capital to AEC under the Offer may be given to AEC by:
 - (i) leaving them at, or sending them by post to, the registered office of AEC; or
 - (ii) serving a copy of such notice personally on any director of AEC who resides in Australia.
- (d) Any notices to be given to 698 Capital by you or by AEC under the Offer may be given to 698 Capital by delivering them or sending them by post to 698 Capital (or other means provided for in this Statement).

Provision of cash consideration

5. Provision of cash consideration

5.1 Cash consideration

The consideration for the acquisition of your AEC Shares under the Offer is to be satisfied wholly by payment in cash.

5.2 Amount payable

Based on the number of AEC Shares on issue at the date of this Statement, the maximum amount of the consideration payable by 698 Capital if it receives acceptance for all AEC Shares (other than those it already owns) will be approximately \$1,356,430.

5.3 Source of funds

The cash required to pay the consideration under the Offer, together with amounts necessary to cover transaction costs will be funded from 698 Capital's internal cash resources, which represent shareholder capital.

As at the date of this Statement, 698 Capital has reserved US dollars equivalent to \$1,500,000 for the acquisition of the AEC Shares and related costs. This amount is based on the exchange rates applicable as at the date of this Statement. These funds are held with Standard Chartered Bank, Hong Kong and can be accessed by 698 Capital at call and without restriction.

*Tax considerations in relation to the Offer***6. Tax considerations in relation to the Offer****6.1 Introduction**

The following is a general description of the Australian income, CGT, GST and stamp duty consequences for AEC Shareholders of the acceptance of the Offer. The comments set out below are relevant only to those AEC Shareholders who hold their AEC Shares as capital assets for the purpose of investment.

AEC Shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer. The following summary is intended only for AEC Shareholders resident in Australia for income tax purposes. Furthermore, this summary is not intended for AEC Shareholders who acquired their shares in respect of their (or an associate's) employment at AEC (or an associated company).

The following description is based upon the law in effect at the date of this Statement, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every AEC Shareholder. AEC Shareholders should seek independent professional advice in relation to their own particular circumstances.

6.2 Acceptance of the Offer and disposal of AEC Shares - capital gain or loss

The sale of your AEC Shares pursuant to the Offer will involve the disposal by you of your AEC Shares by way of transfer to 698 Capital. This change in the ownership of your AEC Shares will constitute a CGT event for Australian CGT purposes. The date of disposal for capital gains tax purposes will be the date that you accept the Offer. If, for any reason the Offer does not proceed, no disposal event will occur and no CGT implications will arise.

If you are an Australian resident you may make a capital gain or a capital loss, depending on whether your capital proceeds from the disposal of your AEC Shares are more than the cost base (or in some cases, the indexed cost base) of those shares (in which case a capital gain would arise), or whether the capital proceeds are less than the reduced cost base of those shares (in which case a capital loss would arise).

The capital proceeds of the CGT event will be the cash received by you in respect of the disposal of your AEC Shares.

The cost base of AEC Shares is generally their cost of acquisition plus any incidental costs of acquisition (such as brokerage and stamp duty).

Depending on when you acquired your AEC Shares, different CGT concessions may apply. Specific rules determine when you acquired your AEC Shares. Generally this is the date of acquisition.

If the AEC Shares were acquired at or before 11:45 am on 21 September 1999 and held for more than 12 months before their disposal, an AEC Shareholder who is an individual, a complying superannuation entity or the trustee of a trust may elect to adjust the cost base of the AEC Shares to include indexation by reference to changes in the Consumer Price Index from the calendar quarter in which the AEC Shares were acquired until the quarter ended 30 September 1999. AEC Shareholders which are companies will be entitled to include that indexation adjustment without making an election if their AEC Shares were acquired at or before 11:45 am on 21 September 1999 and held for more than 12 months before their disposal. However, those indexation adjustments are taken into account only for the purposes of calculating capital gains; they are ignored when calculating the amount of any capital loss.

AEC Shareholders who are individuals, complying superannuation entities or trustees and who do not or cannot elect to adjust their cost base for indexation (as outlined above) can discount the amount of their net capital gain if they have held their AEC Shares for more than 12 months before the date of disposal (referred to as the "CGT Discount"). For individuals and trustees the discount rate is 50% and for complying superannuation entities the discount rate is 33⅓%.

AEC shareholders which are companies do not qualify for a CGT Discount.

Tax considerations in relation to the Offer

Capital gains and capital losses are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

6.3 Stamp duty and GST

No GST is payable on the transfer of AEC Shares pursuant to the Offer.

To the extent that any stamp duty is payable on the transfer of AEC Shares pursuant to the Offer, this stamp duty will be paid by 698 Capital.

*Additional information***7. Additional information****7.1 AEC securities**

Based on documents lodged by AEC with ASX, the total number of AEC Shares on issue at the date of this Statement are 169,342,036.

As at the date of lodgement of this Statement with ASIC, 698 Capital had a relevant interest in 33,699,065 AEC Shares and 698 Capital had voting power in AEC of 19.9%.

Immediately before lodgement of this Statement with ASIC and immediately before the first Offer was sent, 698 Capital did not have a relevant interest in any other AEC Shares.

7.2 Dealings in AEC shares

On 20 June 2003, 698 Capital entered into a share purchase agreement with LIM Asia pursuant to which it acquired a relevant interest in a total of 33,699,065 AEC Shares. The consideration paid by 698 Capital pursuant to the share purchase agreement was \$335,644 or 0.9960038 cents per AEC Share acquired. Completion of the sale and purchase of the AEC Shares the subject of the share purchase agreement occurred on 20 June 2003.

7.3 AEC debts

CEL and 698 Asia Pacific are both related companies of 698 Capital and owed a total of \$5,422,056 by AEC as summarised in the following table.

Lender	Amount (\$)	Security
CEL	\$2,100,000	Secured in respect of initial advances up to \$1,500,000. Unsecured in respect of further advance of \$600,000.
698 Asia Pacific	\$3,322,056	Unsecured

In absence of any earlier event of default, these debts are repayable on 31 July 2003 or such later date as the respective lender may notify in writing to AEC. Further details regarding these debts are set out below.

CEL Facility

On 13 January 2003, CEL entered into a Loan Agreement with AEC pursuant to which CEL agreed to provide a loan facility of \$1,500,000 to AEC. By a Deed of Variation dated 20 June 2003, the amount of the loan facility was increased to \$2,100,000.

The principal terms of the Loan Agreement (as amended by the Deed of Variation) are follows:

- In the absence of an earlier event of default, the repayment date for all amounts outstanding under the facility is 31 July 2003 or such later date as CEL may notify in writing to AEC.
- The interest rate payable by AEC is the sum of the "Corporate Loan Reference Rate" quoted by the Commonwealth Bank of Australia plus 1% per annum.
- Interest accrues on a daily basis until the principal amount together with any interest which has accrued in respect thereof is repaid in full;
- Interest is payable at the end of each 30 day interest period.
- Interest may be capitalised by AEC and if AEC does not pay interest by the end of the relevant interest period AEC is taken to have made an election that interest be capitalised.

Additional information

- All advances made by CEL prior to 20 June 2003, together with any interest which has accrued or will accrue in respect thereof, are secured by a fixed and floating charge over all of the assets and undertakings of AEC.
- Advances made by CEL on or after 20 June 2003 are unsecured.

The loan facility has been fully drawn down by AEC.

698 Asia Pacific Debt

On 20 June 2003, 698 Asia Pacific, entered into, and completed, a debt purchase agreement with LIM Asia pursuant to which 698 Asia Pacific took an assignment of an unsecured debt of \$3,322,056 owed by AEC to LIM Asia. The consideration paid by 698 Asia Pacific pursuant to the debt purchase agreement was \$414,356.

The terms of the debt are as follows:

- 698 Asia Pacific will not demand or otherwise require payment, assign or otherwise deal with the debt until 31 July 2003 or such later date as 698 Asia Pacific may notify in writing to AEC. Thereafter, the debt is repayable on demand.
- Interest is payable on the principal amount of the debt at the rate of 6% per annum on 31 December and 30 June each year in arrears.
- Interest accrues on a daily basis until the debt together with any interest is repaid.
- All accrued but unpaid interest is capitalised on the due date for payment and will bear interest at the rate of 6% from the date of capitalisation up to and including the date of actual payment.
- The debt is unsecured.

Notice of the assignment of the debt has been provided to AEC. AEC has acknowledged the assignment and agreed to comply with the terms of a notice of assignment given to it by LIM Asia which requires the debt to be paid to 698 Asia Pacific.

7.4 Particulars of dealings

- Except as set out in this Statement, neither 698 Capital nor any associate of 698 Capital provided, or agreed to provide, consideration for any AEC Shares under a purchase or agreement during the four months before the date of lodgement of this Statement with ASIC.
- Except as set out in this Statement, neither 698 Capital nor any associate of 698 Capital gave or offered to give or agreed to give a benefit to another person during the period of four months before the date of lodgement of this Statement with ASIC where the benefit was likely to induce the other person, or an associate of that person, to:
 - accept any Offer; or
 - dispose of AEC Shares,

which benefit is not offered to all AEC Shareholders under the Offer.

7.5 Date for determining holders

For the purposes of section 633 of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) of the Corporations Act in relation to the Offer is 7:00 pm (Perth time) on the date of this Statement.

*Additional information***7.6 AEC's material ASX disclosures**

The following documents, which were released to ASX, are set out in the Annexure to this Statement:

- (a) AEC's announcement dated 15 April 2003;
- (b) AEC's announcement dated 6 May 2003;
- (c) AEC's announcement dated 9 May 2003;
- (d) AEC's announcement dated 4 June 2003;
- (e) AEC's announcement dated 13 June 2003;
- (f) 698 Capital's announcement in relation to the proposed Offer dated 23 June 2003; and
- (g) AEC's announcement dated 25 June 2003.

7.7 Consents

Dr Daniel Wu has given his consent to each statement by him, and to each statement said in this Statement to be based on a statement by him, being included in this Statement in the form and context in which it is included. Dr Wu has not withdrawn that consent before this Statement was lodged with ASIC.

Mr Thomas Liu has given his consent to each statement by him, and to each statement said in this Statement to be based on a statement by him, being included in this Statement in the form and context in which it is included. Mr Liu has not withdrawn that consent before this Statement was lodged with ASIC.

Mr Arthur Wang has given his consent to each statement by him, and to each statement said in this Statement to be based on a statement by him, being included in this Statement in the form and context in which it is included. Mr Wang has not withdrawn that consent before this Statement was lodged with ASIC.

Mr William Lee has given his consent to each statement by him, and to each statement said in this Statement to be based on a statement by him, being included in this Statement in the form and context in which it is included. Mr Lee has not withdrawn that consent before this Statement was lodged with ASIC.

Computershare Investor Services Pty Ltd has given its consent to being named in this Statement in the form and context in which it is included. Computershare Investor Services Pty Ltd has not withdrawn that consent before this Statement was lodged with ASIC.

7.8 No other material information

There is no other information which:

- (a) is material to the making of the decision by a person to whom the Offer is made whether or not to accept the Offer;
- (b) is known to 698 Capital; and
- (c) has not previously been disclosed to the holders of AEC Shares,

other than as disclosed in this Statement.

*Defined terms and interpretation***8. Defined terms and Interpretation****8.1 Defined terms**

In this Statement and each Acceptance and Transfer Form the following words have these meanings unless a contrary intention or the context otherwise requires:

"698 Asia Pacific" means 698 Capital Asia Pacific Limited, a company incorporated in British Virgin Islands.

"698 Capital" means 698 Capital International Limited ARBN 105 459 130, a company incorporated in British Virgin Islands.

"698 Capital Group" means the corporate group comprising 698 Capital and each of its controlled entities.

"Acceptance and Transfer Form" means the acceptance form enclosed with, and forming part of the Offer.

"Acceptance Shares" means AEC Shares to which an acceptance of the Offer relates, as determined in accordance with the terms of the Offer.

"AEC" means Advanced Engine Components Limited, ACN 009 081 770 of 14 Energy Street, Malaga, WA 6090.

"AEC Group" means the corporate group comprising AEC and each of its controlled entities.

"AEC Shareholder" means a holder of AEC Shares.

"AEC Shares" means fully paid ordinary shares in the capital of AEC and all Rights attaching to them.

"Announcement Date" means 23 June 2003.

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means Australian Stock Exchange Limited.

"Broker" means a person who is a share broker and a participant in CHESS.

"Broker Participant" means a broker participant under the SCH Business Rules.

"CEL" means Commonwealth Equity, Limited, a company incorporated in British Virgin Islands.

"CGT" means capital gains tax.

"CHESS" means Clearing House Electronic Subregister System, which provides for the electronic transfer of securities in Australia.

"CHESS Holding" has the meaning set out in the SCH Business Rules.

"Controlling Participant" means the Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the SCH Business Rules.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Issuer Sponsored Holding" means a holding of AEC Shares on AEC's issuer sponsored sub-register of AEC Shares.

"LIM Asia" means LIM Asia Arbitrage Fund Inc, incorporated in British Virgin Islands.

"Listing Rules" means the Listing Rules of ASX.

Defined terms and interpretation

"Non-Broker Participant" means a non-broker participant under the SCH Business Rules.

"Offer" means 698 Capital's offer, set out in section 4, for AEC Shares on issue at 7:00 pm (Perth time) on the date of the Statement.

"Offer Period" means the period or extended period during which the Offer is to remain open in accordance with section 4.4.

"person" means an incorporated or unincorporated body or association as well as a natural person.

"Prescribed Occurrence" means any of the following events:

- (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 Corporations 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 Corporations 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.

"Rights" means all accretions and rights attaching to or arising from AEC Shares after the Announcement Date (including, without limiting the generality of the foregoing, all rights to receive dividends, bonuses or other share of AEC's profits and assets as well as all rights to receive or subscribe for shares, stock units, notes or options and all other distributions or entitlements declared, paid or issued by AEC).

"SCH" means the securities clearing house which administers CHESS in Australia.

"SCH Business Rules" means the rules of SCH from time to time.

"Statement" means this bidder's statement in respect of the Offer given by 698 Capital pursuant to Part 6.5 of Chapter 6 of the Corporations Act and in compliance with the requirements of sections 636 and 637 of the Corporations Act.

Defined terms and interpretation

"Takeover Transferee Holding" has the meaning set out in the SCH Business Rules.

"your AEC Shares" means all of the AEC Shares, the subject of the Offer, in respect of which you are registered as holder as at 7:00 pm (Perth time) on the date of the Statement.

8.2 Interpretation

(a) Terms used in this Statement have the meaning (if any) given to them in Chapter 6 of the Corporations Act or the SCH Business Rules unless that meaning is inconsistent with the context in which the term is used.

(b) In this Statement:

(i) headings are for convenience only and do not affect the meaning of the paragraphs they introduce;

and unless the context otherwise requires:

(ii) the singular includes the plural and vice versa;

(iii) words importing any gender include any other genders;

(iv) references to persons include corporations;

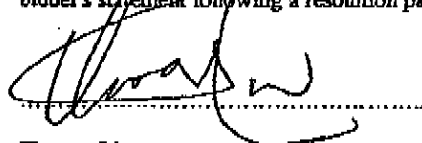
(v) appendices to this Statement form part of this Statement;

(vi) references to paragraphs, sections or annexures are to paragraphs, sections or annexures in this Statement; and

(vii) references to "dollar", "\$" and "cents" are references to Australian currency.

Dated: 4 July 2003

SIGNED on behalf of 698 Capital International Limited, by Thomas Liu, Director, who is authorised to sign this bidder's statement following a resolution passed by the directors of 698 Capital International Limited.



Thomas Liu

Annexure

AEC ASX Disclosures



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 381 770

15 April 2003

Company Announcements Office
The Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir/Madam

14 ENERGY ST
MALAGA 6090
WESTERN AUSTRALIA

PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

PH: 08 9209 6900
FAX: 08 9209 6999

www.advancedengine.com

MARKET UPDATE

The Directors wish to announce that further to the company's announcement dated the 14th January 2003 regarding "\$9million Capital Raising" that an extension of terms under the Share Subscription and Loan agreements has been agreed by Advanced Engine Components Limited (AEC) and Commonwealth Equity, Ltd (CEL) to the 31st of May 2003.

This extension will allow the parties to complete the proposed share issue, subject to shareholder and regulatory approval. The Directors anticipate calling a general meeting of shareholders as soon as practicable to vote on issues pertaining to the share subscription agreement.

The Directors believe that the agreements will continue to provide AEC with the platform to advance the commercialisation of its patented NGVS and Sprintex technologies and allow the expansion of the Bullet Super car program.

The Company has now received the final draw down of the \$1.5 million working capital facility as provided under the Loan Agreement with CEL.

The working capital facility has been used to supplement the cash income received by the Company under its Irisbus contract in France, DPI of WA contract in Perth and the delivery of six Bullet Super cars with further deliveries scheduled.

The Company has also recently relocated its Perth registered office and operations to new premises in Malaga.

AEC continues to pursue a number of contracts with other parties, both within Australia and overseas for its "NGVS" natural gas technology.

The Company intends to apply for re-quotation on the ASX immediately after the shareholders general meetings to approve the CEL Share Subscription and Annual Meeting.



**ADVANCED ENGINE COMPONENTS LIMITED**

AGN: 603 081 770

The Company is in receipt of a notice from a shareholder under section 203D of the Corporations Act seeking to restructure the existing board of AEC, including the removal of certain directors and the appointment of additional directors. The Company is in the process of taking advice in relation to the notice, and to the extent it is obligated to convene such a meeting it will do so within the requisite notice period.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'J. Scoringe', written over a horizontal line.

Jamie Scoringe
Company Secretary



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 092 081 770

6 May 2003

Company Announcements Office
The Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

14 ENERGY ST
MALAGA 6090
WESTERN AUSTRALIA

PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

PH: 08 9209 6900
FAX: 08 9209 6999

www.advancedengine.com

Dear Sir/Madam

RE: Market Update - Capital Raising

The Directors announce that Commonwealth Equity, Ltd (CEL) have withdrawn from the \$9 million subscription of shares into the Company as announced to the market on 15 January, and the Company has determined to reserve its rights in relation to the withdrawal. The loan facility provided by CEL continues and will expire on 31 May 2003.

The Board is discussing with interested parties alternative fundraising opportunities for the Company.

Yours Sincerely

Jamie Scoringe
Company Secretary



ASX RELEASE



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 063 770

9 May 2003

Company Announcements Office
The Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir/Madam

14 ENERGY ST
MALAGA 6090
WESTERN AUSTRALIA

PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

PH: 08 9209 6900
FAX: 08 9209 6999

www.advancedengine.com

RE: Board Changes

The Company announces the resignation of Mr Anthony Hamilton as Managing Director and Mr Steve Apedaile as Non-Executive Director (Asian Projects), effective at today's date.

Further, the Company announces the appointment of Mr Graham Leslie Keys, Mr George Long, Mr Dean van Drasek, Mr Michael Nacson and Mr Peter Jermyn as directors.

Yours Sincerely

Jamie Scoringe
Company Secretary



ASX RELEASE



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 081 770

14 ENERGY ST
MALAGA 6090
WESTERN AUSTRALIA

PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

PH: 08 9209 6900
FAX: 08 9209 6999

www.advancedengine.com

4 June 2003

Company Announcements Office
The Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir/Madam

RE: Director Resignation

The Company announces the resignation of Mr Peter Jermyn as non-executive director.

Yours Sincerely

Jamie Scoringe
Company Secretary



ASX RELEASE

Appendix 3B
New issue announcement*Rule 2.7, 3.10.3, 3.10.4, 3.10.5***Appendix 3B****New issue announcement,
application for quotation of additional securities
and agreement**

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

ADVANCED ENGINE COMPONENTS LIMITED

ABN

67 009 081 770

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1 *Class of *securities issued or to be issued

ORDINARY

2 Number of *securities issued or to be issued (if known) or maximum number which may be issued

7,500,000

3 Principal terms of the *securities (eg, if options, exercise price and expiry date; if partly paid *securities, the amount outstanding and due dates for payment; if *convertible securities, the conversion price and dates for conversion)

FULLY PAID

+ See chapter 19 for defined terms.

Appendix 3B**New Issue announcement**

<p>4 Do the *securities rank equally in all respects from the date of allotment with an existing *class of quoted *securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>YES</p>				
<p>5 Issue price or consideration</p>	<p>\$0.046 PER SHARE</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>ISSUE MADE IN CONSIDERATION OF SERVICES RENDERED</p>				
<p>7 Dates of entering *securities into uncertificated holdings or despatch of certificates</p>	<p>09 MAY 2003</p>				
<p>8 Number and *class of all *securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="674 1382 917 1426">Number</th> <th data-bbox="917 1382 1176 1426">*Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="674 1426 917 1608">169,342,036</td> <td data-bbox="917 1426 1176 1608">ORDINARY</td> </tr> </tbody> </table>	Number	*Class	169,342,036	ORDINARY
Number	*Class				
169,342,036	ORDINARY				

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	Number	*Class
9	Number and *class of all *securities not quoted on ASX (including the securities in clause 2 if applicable)	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the *securities will be offered	
14	*Class of *securities to which the offer relates	
15	*Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has *security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	
19	Closing date for receipt of acceptances or renunciations	

+ See chapter 19 for defined terms.

1/1/2003

Appendix 3B Page 3

Appendix 3B
New Issue announcement

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders	
25	If the issue is contingent on *security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do *security holders sell their entitlements <i>in full</i> through a broker?	
31	How do *security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

32 How do *security holders dispose of their entitlements (except by sale through a broker)?

33 *Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the restricted period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☒ If the *securities are *equity securities, the names of the 20 largest holders of the additional *securities, and the number and percentage of additional *securities held by those holders

Holder: MARGRAVE HOLDINGS LTD
Number: 7,500,000 SHARES
Percentage of additional securities: 100%

36 ☒ If the *securities are *equity securities, a distribution schedule of the additional *securities setting out the number of holders in the categories

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

100,001 and over - One

37 ☐ A copy of any trust deed for the additional *securities

+ See chapter 19 for defined terms.

Appendix 3B
New Issue announcement

Entities that have ticked box 34(b)

38	Number of securities for which *quotation is sought					
39	Class of *securities for which quotation is sought					
40	<p>Do the *securities rank equally in all respects from the date of allotment with an existing *class of quoted *securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 					
41	<p>Reason for request for quotation now</p> <p><small>Example: In the case of restricted securities, end of restriction period</small></p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>					
42	Number and *class of all *securities quoted on ASX (including the securities in clause 38)	<table border="1"> <thead> <tr> <th>Number</th> <th>*Class</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>	Number	*Class		
Number	*Class					

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Quotation agreement

1 *Quotation of our additional *securities is in ASX's absolute discretion. ASX may quote the *securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the *securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those *securities should not be granted *quotation.
- An offer of the *securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any *securities to be quoted and that no-one has any right to return any *securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the *securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the *securities to be quoted, it has been provided at the time that we request that the *securities be quoted.
- If we are a trust, we warrant that no person has the right to return the *securities to be quoted under section 1019B of the Corporations Act at the time that we request that the *securities be quoted.

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before *quotation of the *securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date:
(Director)

Print name:

+ See chapter 19 for defined terms.

CLAYTON UTZ

Sydney Melbourne Brisbane Perth Canberra Darwin

Fax

23 June 2003

The Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Clayton Utz
Lawyers
BankWest Tower
108 St. Georges Terrace
Perth WA 6000
Australia

GPO Box P1214
Perth WA 6844

T +61 8 9426 8000
F +61 8 9481 3095
www.claytonutz.com

1900 999 279

Our reference: 60011/60060/60008493

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



Will Moncrieff
Partner
+61 8 9426 8541
wmoncrieff@claytonutz.com

Contact: Nino Odorisio
Senior Associate
+61 8 9426 8292
nodorisio@claytonutz.com

698 Capital International Limited

Tel 852 2231 8600
Fax 852 2231 8601
www.698capital.com

22nd Floor
Chinachem Centre
One Hollywood Road
Central, Hong Kong

23 June 2003

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
SYDNEY NSW 2000

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.

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

A handwritten signature in black ink, appearing to read 'Thomas Liu', written over a horizontal line.

Thomas Liu
Director

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 Bullec 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.



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 081 770

14 ENERGY ST
MALAGA 6090
WESTERN AUSTRALIA

PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

PH: 08 9209 6900
FAX: 08 9209 6999

www.advancedengine.com

25 June 2003

Company Announcements Office
The Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir/Madam

RE: Market Update

Loan Funding

The Company announces that it has entered into a number of agreements:

1. To increase the Loan Agreement facility with Commonwealth Equity, Limited (CEL) to \$2.1 million. The agreement also allows for an extension of the repayment terms to 31 July 2003, or later as advised by CEL.
2. To enter into a new loan facility with LIM Asia Arbitrage Fund Inc (LIM Asia) for \$525,000, repayable on 20 June 2004.

Sale of Shares and Assignment of Debt

The Company has received notice that LIM Asia has disposed of 33,699,065 ordinary fully paid shares in the Company to 698 Capital International Limited.

This represents 19.9% of the issued ordinary shares in the Company.

The Company has received notice from LIM Asia that the debt of \$3.32 million owed by AEC to LIM Asia has been assigned to 698 Capital Asia Pacific Limited. AEC owed these monies to LIM Asia as a result of transactions between NewTel Limited (NewTel) and LIM Asia and the mortgaging by NewTel of the debt to LIM Asia.

Takeover Bid

The Company has received an announcement from 698 Capital International Limited stating its intention to make a takeover bid for all of the ordinary shares of the Company. Pursuant to the proposed bid, 698 Capital International Limited will offer to acquire all of the ordinary fully paid shares in the Company at a price of \$0.009961 per share. The bid will be subject to the conditions set out in the announcement by 698 Capital International Limited.



ASX RELEASE

**ADVANCED ENGINE COMPONENTS LIMITED**

ACN: 009 081 770

The Directors are in the process of considering the bid by 698 Capital International Limited and advise shareholders to await further information from the Company before taking any action in this regard.

Yours Sincerely

Jamie Scoringe
Company Secretary

BULLET SCHNECK AGVS**ASX RELEASE**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD
CONSULT YOUR BROKER OR YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.**

Acceptance and Transfer Form

(Terms used in this Acceptance and Transfer Form are defined in the Bidder's Statement)

**OFFER BY 698 CAPITAL INTERNATIONAL LIMITED ("698 CAPITAL")
for all your ordinary shares in
ADVANCED ENGINE COMPONENTS LIMITED ("AEC")**

Name and Address	BARCODE	
	SRN/HIN	
Sub-register	Number of AEC Shares held	Consideration due (1 cent per AEC Share)

Please note that you may only accept the Offer in respect of **ALL** of your AEC Shares.

If your AEC Shares are held in a CHESS Holding you should not accept the Offer using this form. To accept the Offer if your AEC Shares are held in a CHESS Holding please instruct your stockbroker or CHESS Controlling Participant to initiate acceptances of the Offer on your behalf.

To accept the Offer if your AEC Shares are held in an Issuer Sponsored Holding you should sign and date this form and return it, along with the other necessary documents (refer to the back of this form and section 4.6 of the Bidder's Statement), so that it is received **no later than 7.00 pm (Perth time) on 19 August 2003**, unless the Offer Period is extended. A pre-paid envelope is provided for this purpose. Overseas residents cannot use pre-paid post, and should instead return this form by airmail.

To 698 Capital: I/we accept the Offer made by 698 Capital in respect of all my/our AEC Shares, being the shares set out above, on the terms and conditions of the Offer. I/we agree to be bound by the terms and conditions of the Offer and transfer all my/our AEC Shares to 698 Capital for the consideration per AEC Share specified above.

Please ensure that your Acceptance and Transfer Form has been properly signed (full instructions overleaf). In the case of individual or joint shareholders, each shareholder must sign. Companies must execute this form in any way allowed by law and any applicable constitution.

Please provide your telephone number so that you may be contacted if necessary:

Phone: (.....).....

Date: ____/____/____

Individual or Shareholder 1

--

Sole Director and Sole Company Secretary

Shareholder 2

--

Director

Shareholder 3

--

Director/Company Secretary

We, 698 Capital, through our agent, Computershare Investor Services Pty Limited, collect personal information when you submit this form to process your acceptance of the Offer to purchase your AEC Shares and to administer the purchase and transfer of those shares. In order to do these things, we usually disclose, and by executing this form you consent to us disclosing, your personal information to the following organisations (which may be located outside Australia): our related bodies corporate; our legal, financial and professional advisors; and organisations to which we outsource our functions and activities (such as our mailing house). If your personal information is not provided to us, we will be unable to do these things. In most cases, you can gain access to your personal information on request.

FOR FURTHER INFORMATION ON HOW TO ACCEPT THIS OFFER PLEASE SEE REVERSE

HOW TO ACCEPT THIS OFFER

Read the Bidder's Statement and this form carefully and decide whether to accept the Offer for your AEC Shares.

To accept the Offer if your AEC Shares are held in an Issuer Sponsored Holding then, simply complete and return your Acceptance and Transfer Form so that it is received **no later than 7.00 pm (Perth time) on 19 August 2003**, unless the Offer Period is extended. A pre-paid envelope is provided for this purpose. Overseas residents cannot use pre-paid post, and should instead return this form by airmail.

To accept the Offer if your AEC Shares are held in CHESS Holdings, please instruct your stockbroker or CHESS Controlling Participant to initiate acceptances of the Offer on your behalf.

HOW TO COMPLETE YOUR ACCEPTANCE AND TRANSFER FORM

Check your details are correct

If you have already sold all of your AEC Shares shown here, do not keep or return this form. Instead, please send it to the Broker or Controlling Participant who sold them for you or the transferee.

If you have already sold some of your AEC Shares recently, or if you have purchased further AEC Shares recently, please alter the number of your AEC Shares shown overleaf to show that number of AEC Shares now held by you and write below the name and address of the broker or controlling participant who acted for you:

Broker's/Controlling Participant's Name:
 Address:
 Telephone:

If your AEC Shares consist of two or more separate parcels for the purposes of section 653B of the Act, then this Offer consists of separate corresponding offers in relation to the respective separate parcels. To accept any of those offers that relate to AEC Shares held in an Issuer Sponsored Holding you must give a notice indicating that your AEC Shares consist of a separate parcel and indicate on this form the number of AEC Shares in the separate parcel to which the acceptance relates (refer to Section 4.5 of the Bidder's Statement).

Sign and return the form

Please ensure that your Acceptance and Transfer Form has been properly signed:

- All joint holders must sign.
- Companies must sign in accordance with their constitution. Two directors must sign or director and secretary, or sole director and sole secretary. The common seal must also be affixed if required by the constitution.
- If the document is signed by an attorney, a certified copy of the power of attorney must accompany the form.
- For a deceased estate, the executors or administrator must sign and enclose a certified copy of the probate or letter of administration.
- For a trust or partnership the signatory must produce the trust instrument, partnership agreement or other authority (or a certified copy of it) to act in that capacity acceptable to 698 Capital.

Note: A certified copy of a document is a photocopy that has been attested as a true copy of the original by a person authorised to do so in your State or Territory.

You can return your Acceptance and Transfer Form in the pre-paid envelope provided or deliver it:

BY HAND DELIVERY TO:
 Computershare Investor Services Pty Limited
 Level 2, 45 St George's Terrace
 PERTH WA 6000

OR

BY MAIL TO:
 Computershare Investor Services Pty Limited
 GPO Box D182
 PERTH WA 6840

Your Acceptance and Transfer Form must be received (at this address or at the Post Office box) by 7.00 pm (Perth time) on 19 August 2003, unless the Offer Period is extended.

FOR FURTHER INFORMATION

If you have any questions about how to fill out this form please call Computershare Investor Services Pty Ltd between 9.00am and 5.00pm (Perth time) Monday - Friday on 1800 001 391 at local rates from within Australia or +61 3 9649 5241 from outside Australia. As required by the Corporations Act, all calls to these numbers will be recorded.

If you need help in deciding what to do, contact your broker or legal, financial or other professional advisor.