

CIRCULAR DATED 9 FEBRUARY 2022

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to the contents of this Circular or as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant, tax advisor or other professional advisor immediately.

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

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



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

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) **THE PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN MTBL GLOBAL PTE. LTD., BEING A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (“PROPOSED ACQUISITION”);**
- (2) **THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE BUSINESS OF THE PRODUCTION, SALE AND DISTRIBUTION OF FOOD AND BEVERAGES (“PROPOSED DIVERSIFICATION”); AND**
- (3) **THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “AEI CORPORATION LTD.” TO “ASCENT BRIDGE LIMITED” (“PROPOSED CHANGE OF NAME”).**

Financial Advisor to the Company
in relation to the Proposed Acquisition



CEL IMPETUS CORPORATE FINANCE PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201631484Z)

Independent Financial Advisor to the Recommending Directors in relation to
the Proposed Acquisition as an Interested Person Transaction



STIRLING COLEMAN CAPITAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200105040N)

IMPORTANT DATES AND TIMES:

- Last date and time for lodgement of Proxy Form : 1 March 2022 at 10.00 a.m.
- Date and time of Extraordinary General Meeting : 3 March 2022 at 10.00 a.m.
- Place of Extraordinary General Meeting : The EGM will be held by way of electronic means

TABLE OF CONTENTS

DEFINITIONS	4
CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS	12
LETTER TO SHAREHOLDERS	13
1. INTRODUCTION	13
2. INFORMATION RELATING TO THE TARGET GROUP AND THE VENDOR	14
3. THE PROPOSED ACQUISITION.....	33
4. VALUATION REPORTS.....	49
5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION.....	58
6. LISTING MANUAL COMPUTATIONS AND PROPOSED ACQUISITION AS A MAJOR TRANSACTION	58
7. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION.....	59
8. THE PROPOSED DIVERSIFICATION.....	60
9. THE PROPOSED CHANGE OF NAME	73
10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS.....	74
11. OPINION OF THE INDEPENDENT FINANCIAL ADVISOR.....	75
12. STATEMENT FROM THE AUDIT COMMITTEE	75
13. DIRECTORS' RECOMMENDATIONS	75
14. EXTRAORDINARY GENERAL MEETING	76
15. NO DESPATCH OF PRINTED COPIES OF CIRCULAR, NOTICE OF EGM AND PROXY FORM.....	76
16. ACTION TO BE TAKEN BY THE SHAREHOLDERS	77
17. ABSTENTION FROM VOTING	80
18. CONSENTS	80
19. DIRECTORS' RESPONSIBILITY STATEMENT	81
20. VENDOR'S DIRECTORS' RESPONSIBILITY STATEMENT.....	81
21. FINANCIAL ADVISOR'S RESPONSIBILITY STATEMENT	81
22. DOCUMENTS AVAILABLE FOR INSPECTION	81
APPENDIX 1 – FINANCIAL HIGHLIGHTS OF THE TARGET GROUP.....	83
APPENDIX 2 – SUMMARY OF COMPANY VALUATION REPORT	85
APPENDIX 3 – SUMMARY OF VENDOR VALUATION REPORT	86
APPENDIX 4 – FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION	87
APPENDIX 5 – LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR.....	90
APPENDIX 6 – ALTERNATIVE ARRANGEMENTS.....	91
NOTICE OF EXTRAORDINARY GENERAL MEETING	94
PROXY FORM	98

DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“Act” or “Companies Act”	:	The Companies Act 1967 of Singapore, as amended, supplemented or modified from time to time
“Adjusted PBT”	:	The audited profit before tax (disregarding amortisation of the Distribution Rights)
“Advice”	:	Has the meaning ascribed to it in Section 4.3
“AEI Consideration Payment”	:	Has the meaning ascribed to it in Section 3.2.2(c)
“Audit Committee”	:	The audit committee of the Board of the Company as at the Latest Practicable Date, comprising Dr Tan Khee Giap, Mr Siow Chee Keong and Mr Chua Wei Ming
“Average Valuation” or “AV”	:	Has the meaning ascribed to it in Section 3.1.3(a)
“Baijiu”	:	Chinese white liquor
“Balance Consideration”	:	Has the meaning ascribed to it in Section 3.1.2(b)
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“Business Day”	:	A day (other than Saturday, Sunday or a public holiday) on which commercial banks are open for business in Singapore
“CCIAM”	:	China Capital Impetus Asset Management Pte. Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief Executive Officer
“CIG Distribution Agreement”	:	The distribution agreement dated 29 November 2018 entered into between Dongying and the Vendor with respect to the Distribution Rights granted to the Vendor by Dongying
“Circular”	:	This circular to Shareholders dated 9 February 2022
“Company”	:	AEI Corporation Ltd.
“Company Valuation Report”	:	The valuation report dated 9 February 2022 prepared by the Company’s Appointed Valuer in respect of the market value of 100% equity interest in the capital of the Target Group, a summary of which is set out in <u>Appendix 2</u> to this Circular
“Company’s Appointed Valuer” or “Cushman & Wakefield”	:	Cushman & Wakefield VHS Pte. Ltd., the independent valuer appointed by the Company

DEFINITIONS

“Completion”	:	The completion of the sale and purchase of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement
“Completion Date”	:	The date falling no later than seven (7) Business Days after the later of the satisfaction or waiver of the Conditions Precedent in accordance with the terms of the Sale and Purchase Agreement, or such other later date as the Vendor and the Company may agree in writing
“Conditions Precedent”	:	The conditions precedent to Completion as set out in the Sale and Purchase Agreement
“Consideration”	:	Has the meaning ascribed to it in Section 1.1
“COVID-19”	:	2019 Novel Coronavirus
“CPF”	:	Central Provident Fund
“Deed of Guarantee”	:	Has the meaning ascribed to it in Section 3.3(d)(iii)
“Deed of Novation”	:	Has the meaning ascribed to it in Section 2.3.3
“Deposit”	:	Has the meaning ascribed to it in Section 3.1.6
“Directors”	:	The directors of the Company as at the Latest Practicable Date, and a “Director” shall refer to each of such Directors
“Discounted Average Valuation”	:	Has the meaning ascribed to it in Section 4.5
“Distribution Rights”	:	Has the meaning ascribed to it in Section 2.3
“Distribution Rights Termination”	:	Has the meaning ascribed to it in Section 3.2.2(a)(iii)(1)
“Dongying”	:	Dongying Circle International Trade Co., Ltd. (东营圈里圈外国际贸易有限公司)
“Dongying Distribution Agreement”	:	The distribution agreement dated 21 May 2018 (as amended, supplemented or otherwise modified) entered into between Guizhou Moutai and Dongying with respect to the exclusive worldwide distribution of the Products by Dongying for the period from 21 May 2018 to 31 December 2027
“Dongying Worldwide Distribution Rights”	:	Has the meaning ascribed to it in Section 2.3.1
“EGM”	:	The extraordinary general meeting of the Company to be held by electronic means at 10.00 a.m. on 3 March 2022 (or any adjournment thereof), for the purpose of seeking the Shareholders’ approval for the Proposed Transactions, notice of

DEFINITIONS

	which is set out in the Notice of EGM
“EPS”	: Earnings per share
“Existing Core Business”	: Has the meaning ascribed to it in Section 8.1
“Financial Advisor”	: CEL Impetus Corporate Finance Pte. Ltd.
“First Tranche Consideration”	: Has the meaning ascribed to it in Section 3.1.2(a)
“FY2019”	: The financial year ended 31 December 2019
“FY2020”	: The financial year ended 31 December 2020
“FY2021”	: The financial year ended 31 December 2021
“FY22”	: The financial year ending 31 December 2022
“FY22 Base Target”	: Has the meaning ascribed to it in Section 3.1.4(b)(i)
“FY22 Target”	: Has the meaning ascribed to it in Section 3.1.4(b)(iii)
“FY23”	: The financial year ending 31 December 2023
“FY23 Target”	: Has the meaning ascribed to it in Section 3.1.4(b)(ii)
“FY23-FY25 Target”	: Has the meaning ascribed to it in Section 3.2.2(a)(ii)
“FY24”	: The financial year ending 31 December 2024
“FY25”	: The financial year ending 31 December 2025
“F&B”	: Food and beverage
“Group”	: The Company and its subsidiaries, and the term “ Group Company ” shall be construed accordingly
“Guarantor”	: Mr Sun
“Guizhou Moutai”	: Guizhou Moutai Winery (Group) Health Wine Co., Ltd. (贵州茅台酒厂(集团)保健酒业销售有限公司)
“GZMT Group”	: China Guizhou Maotai Wine Factory Co, Ltd. (中国贵州茅台酒厂(集团)有限责任公司)
“IFA”	: Stirling Coleman Capital Limited, the independent financial advisor to the Recommending Directors in relation to the Proposed Acquisition as an interested person transaction
“IFA Letter”	: A copy of the letter dated 9 February 2022 from the IFA as set out in Appendix 5 to this Circular

DEFINITIONS

“Independent Directors”	:	The independent Directors of the Company from time to time
“Latest Practicable Date”	:	3 February 2022, being the latest practicable date prior to the release of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST Mainboard, as amended, modified or supplemented from time to time
“Live EGM Broadcast”	:	Live broadcast of the EGM proceedings which will take place on 3 March 2022 at 10.00 a.m. by way of electronic means
“Long-Stop Date”	:	30 June 2022, or such other date as the Vendor and the Company may agree in writing
“Mainland China”	:	The People’s Republic of China, but for the purposes hereof, does not include the Hong Kong and Macau Special Administrative Regions or Taiwan
“MGF”	:	MTBL Global Fund (formerly known as New Impetus Strategy Fund)
“Moutai Bulao”	:	The 53° Baijiu produced by Guizhou Moutai in China’s Guizhou province
“Mr Sun”	:	Mr Sun Quan
“MTBL Australia”	:	MTBL Global Australia Pty Ltd
“MTBL Cultural”	:	MTBL Cultural Centre Pte. Ltd.
“MTBL HK”	:	MTBL Global (Hong Kong) Limited
“MTBL USA”	:	MTBL Global USA Inc.
“NAV”	:	Net asset value
“New Business”	:	Has the meaning ascribed to it in Section 8.1
“Notice of EGM”	:	The notice of EGM as set out in the section “Notice of Extraordinary General Meeting” in this Circular
“NTA”	:	Net tangible assets
“Option”	:	Has the meaning ascribed to it in Section 3.2.1
“Option Completion Date”	:	Has the meaning ascribed to it in Section 3.2.2(c)
“Option Consideration”	:	Has the meaning ascribed to it in Section 3.2.2(c)
“Option Exercise Notice”	:	Has the meaning ascribed to it in Section 3.2.2(b)

DEFINITIONS

“Option Exercise Period”	:	Has the meaning ascribed to it in Section 3.2.2(b)
“Option Shares”	:	Has the meaning ascribed to it in Section 3.2.1
“Option Trigger Date”	:	Has the meaning ascribed to it in Section 3.2.2(b)
“Option Trigger Event 1”	:	Has the meaning ascribed to it in Section 3.2.2(a)(i)
“Option Trigger Event 2”	:	Has the meaning ascribed to it in Section 3.2.2(a)(ii)
“Option Trigger Event 3”	:	Has the meaning ascribed to it in Section 3.2.2(a)(iii)
“Parties”	:	The Company and the Vendor, and “Party” shall refer to any one of them
“Penjuru Disposal”	:	The sale of the Company’s premises at 12 Penjuru Lane Singapore 609192 (the “Property”) to ACW Holdings Pte. Ltd. (the “Purchaser”), subject to the terms and conditions of the option agreement entered into between the Company and the Purchaser on 30 December 2019 for the sale of the Property for a cash consideration of S\$19,000,000, as amended, supplemented or otherwise modified
“Performance Shares”	:	Has the meaning ascribed to it in Section 3.4(a)
“Products”	:	The Moutai Bulao 125ml liquor products manufactured by Guizhou Moutai
“Proposed Acquisition”	:	Has the meaning ascribed to it in Section 1.1
“Proposed Capital Reduction”	:	The proposed capital reduction exercise to be carried out by the Company as announced on 31 December 2020, pursuant to Section 78G read with 78I of the Companies Act, to effect the proposed cash distribution by the Company to Shareholders of approximately S\$0.36 in cash for each Share held by Shareholders or on their behalf as at the relevant books closure date
“Proposed Change of Name”	:	The proposed change of the Company’s name from “AEI Corporation Ltd.” to “Ascent Bridge Limited”
“Proposed Diversification”	:	The proposed diversification of the Group’s business into the New Business
“Proposed Transactions”	:	Collectively, the Proposed Acquisition, the Proposed Diversification and the Proposed Change of Name
“Proxy Form”	:	The proxy form in respect of the EGM as set out in the section “Proxy Form” in this Circular
“PSP”	:	Has the meaning ascribed to it in Section 3.4

DEFINITIONS

“Recommending Directors”	:	The Directors who are deemed to be non-interested for the purpose of making a recommendation to the Shareholders in respect of the Proposed Acquisition, namely Dr Tan Khee Giap, Mr. Siow Chee Keong, Mr. Chua Wei Ming, Mr Richard Andrew Smith and Mr Li Zhibo
“Relevant Valuation”	:	Has the meaning ascribed to it in Section 4.5
“Sale and Purchase Agreement”	:	The sale and purchase agreement dated 31 December 2020 (as amended, supplemented or otherwise modified) entered into between the Company and the Vendor
“Sale Shares”	:	5,754,780 ordinary shares in the Target, representing 100% of the total issued share capital of the Target
“Secured Obligations”	:	Has the meaning ascribed to it in Section 3.6
“Securities and Futures Act”	:	The Securities and Futures Act 2001 of Singapore, as amended, supplemented or modified from time to time
“Service Agreement”	:	Has the meaning ascribed to it in Section 3.3(d)(i)
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Shares”	:	The ordinary shares in the share capital of the Company
“Shareholders”	:	Registered holders for the time being of Shares except that where the registered holder is CDP, and the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register
“Substitute Business”	:	Has the meaning ascribed to it in Section 3.2.3(a)
“Substitute Business Acquisition”	:	Has the meaning ascribed to it in Section 3.2.3(b)
“SRS”	:	Supplementary Retirement Scheme
“Target”	:	MTBL Global Pte. Ltd.
“Target Cumulative APBT”	:	Has the meaning ascribed to it in Section 3.2.2(a)(iii)(2)
“Target Group”	:	The Target and its subsidiaries, and “Target Group Company” shall be construed accordingly
“Target Group Audited Accounts”	:	The audited financial statements of the Target Group for the relevant 12-month period(s)
“Target Group Base Information”	:	Has the meaning ascribed to it in Section 4.2

DEFINITIONS

“Target Key Management”	:	Has the meaning ascribed to it in Section 3.4
“USA”	:	United States of America
“Valuation Date”	:	30 September 2021
“Valuation Reports”	:	The Company Valuation Report and the Vendor Valuation Report
“Valuers”	:	The Company’s Appointed Valuer and the Vendor’s Appointed Valuer
“Vanguard”	:	Vanguard (H.K.) Limited (華潤萬家(香港)有限公司)
“Vendor”	:	Capital Impetus Group Limited
“Vendor Valuation Report”	:	The valuation report dated 18 November 2021 prepared by the Vendor’s Appointed Valuer in respect of 100% equity interest in the capital of the Target Group, a summary of which is set out in <u>Appendix 3</u> to this Circular
“Vendor’s Appointed Valuer” or “Savills”	:	Savills Valuation and Professional Services (S) Pte. Ltd., the independent valuer appointed by the Vendor

Currencies and Units of Measurement

“%” or “per cent.”	:	Per centum or percentage
“S\$” and “cents”	:	Singapore Dollars and cents respectively, the lawful currency of the Republic of Singapore for the time being
“US\$” or “United States Dollar”	:	United States Dollars, the lawful currency of the United States of America for the time being

Unless the context otherwise requires:

- (i) the terms “**depositor**”, “**depository register**” and “**depository agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act and the terms “**subsidiary**”, “**related company**” and “**substantial shareholder**” shall have the meanings ascribed to them in Sections 5, 6 and 81 of the Companies Act respectively;
- (ii) the terms “**associate**” and “**associated company**” shall have the meanings ascribed to them in the Section entitled “Definitions and Interpretation” of the Listing Manual;
- (iii) the terms “**entity-at-risk**” and “**interested person**” shall be persons falling within the scope of the definitions for the same set out in the Listing Manual;
- (iv) words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Unless the context otherwise requires, any references to persons shall include

DEFINITIONS

individuals, corporate bodies (wherever incorporated), unincorporated associations and partnerships;

- (v) any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, the Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Securities and Futures Act, the Listing Manual or such modification thereof, as the case may be, unless the context otherwise requires;
- (vi) any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated;
- (vii) any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them; and
- (viii) the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Group, the Vendor, their directors, executive officers or employees acting on their behalf, that are not statements of historical fact, constitute “forward looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward-looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, Shareholders should note that these words are not the exclusive means of identifying forward looking statements. All statements regarding the Company’s, the Group’s and the Target Group’s expected financial position, business strategies, plans and prospects are forward looking statements.

These forward looking statements and other matters discussed in this Circular regarding matters that are not historical fact are only predictions. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s, the Group’s and the Target Group’s actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward looking statements.

Given the risks and uncertainties that may cause the Company’s, the Group’s and the Target Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward looking statements in this Circular, undue reliance must not be placed on these statements.

The Company, the Group, the Vendor, their respective directors and executive officers are not representing or warranting to you that the actual future results, performance or achievements of the Company, the Group and the Target Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward looking statements as a result of the risks faced by us. Further, the Company, the Group and the Vendor disclaim any responsibility for updating any of those forward looking statements or publicly announcing any revisions to those forward looking statements to reflect their future developments, events or circumstances.

LETTER TO SHAREHOLDERS

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 198300506G

Directors:

Dr. Tan Khee Giap (Lead Independent Director)
Mr. Siow Chee Keong (Independent Director)
Mr. Chua Wei Ming (Independent Director)
Mr. Sun Quan (Executive Director)
Mr. Richard Andrew Smith (Non-Executive Director)
Mr. Li Zhibo (Non-Executive Director)

Registered Office:

15 Tuas South Street 13
Singapore 636936

9 February 2022

To: **The Shareholders of AEI Corporation Ltd.**

Dear Sir / Madam

- (1) **THE PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN MTBL GLOBAL PTE. LTD., BEING A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (“PROPOSED ACQUISITION”);**
- (2) **THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE BUSINESS OF THE PRODUCTION, SALE AND DISTRIBUTION OF FOOD AND BEVERAGES (“PROPOSED DIVERSIFICATION”); AND**
- (3) **THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “AEI CORPORATION LTD.” TO “ASCENT BRIDGE LIMITED” (“PROPOSED CHANGE OF NAME”).**

1. INTRODUCTION

1.1. Overview

On 31 December 2020, the Company announced that it had entered into a sale and purchase agreement dated 31 December 2020 (“**Sale and Purchase Agreement**”) with Capital Impetus Group Limited (the “**Vendor**”), pursuant to which the Company shall acquire from the Vendor the entire issued shares in the share capital of MTBL Global Pte. Ltd. (the “**Target**”) (the “**Sale Shares**”), for an aggregate consideration of up to S\$20,000,000 (“**Consideration**”), subject to the terms and conditions of the Sale and Purchase Agreement (the “**Proposed Acquisition**”).

On 3 February 2022, the Company entered into a supplemental agreement to the Sale and Purchase Agreement with the Vendor to, *inter alia*, amend the profit targets in relation to payment of the Balance Consideration and exercise of the Option, and to extend the Long-Stop Date.

As the relative figures computed under Rule 1006(c) of the Listing Manual exceed 20%, the Proposed Acquisition therefore constitutes a “Major Transaction” as defined under Chapter 10 of the Listing Manual and is subject to the approval of Shareholders in a general meeting.

LETTER TO SHAREHOLDERS

In addition, the Vendor is regarded as an “interested person” of the Company by virtue of its ownership of the entire issued share capital of China Capital Impetus Asset Management Pte. Ltd. (“**CCIAM**”), which is in turn the investment manager of MTBL Global Fund (formerly known as New Impetus Strategy Fund) (“**MGF**”), a controlling shareholder of the Company.

The Vendor is wholly-owned by Dejoera Investment Limited, which is in turn wholly-owned by Mr Sun Quan (“**Mr Sun**”). Therefore, Mr Sun, who is a director of the Company, is also the indirect sole shareholder of the Vendor. As such, the Vendor is an associate of Mr Sun and thus an “interested person”.

Accordingly, the Proposed Acquisition constitutes an interested person transaction within the meaning of Chapter 9 of the Listing Manual. As its value exceeds 5% of the Group's latest audited NTA, the Proposed Acquisition is conditional upon the approval of Shareholders. Please refer to Section 7 of this Circular for further information on the Proposed Acquisition as an interested person transaction under Chapter 9 of the Listing Manual.

1.2. Purpose of this Circular

The Directors of the Company propose to convene the EGM to seek Shareholders' approval for the following proposals:-

- (a) The Proposed Acquisition;
- (b) The Proposed Diversification; and
- (c) The Proposed Change of Name,

(collectively, the “**Proposed Transactions**”).

The purpose of this Circular is to explain the reasons for and to provide Shareholders with the relevant information relating to the Proposed Transactions and to seek Shareholders' approval for the resolutions to be tabled at the EGM in connection with the Proposed Transactions. The resolutions are set out in the Notice of EGM to this Circular.

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

1.3. Legal Advisor

ZICO Insights Law LLC is the legal advisor to the Company as to Singapore law in relation to the Proposed Transactions.

2. INFORMATION RELATING TO THE TARGET GROUP AND THE VENDOR

The information in this Section 2 is based on information provided by and / or representations made by the Vendor. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

2.1. Business Overview of the Target Group

MTBL Global Pte. Ltd. (the “**Target**”) holds shareholding interest in MTBL Cultural Centre Pte. Ltd. (“**MTBL Cultural**”), MTBL Global (Hong Kong) Limited (“**MTBL HK**”), MTBL Global USA

LETTER TO SHAREHOLDERS

Inc. (“**MTBL USA**”) and MTBL Global Australia Pty Ltd (“**MTBL Australia**”), all of which are wholly owned subsidiaries of the Target (collectively, the “**Target Group**”, and each a “**Target Group Company**”).

The Target Group is principally engaged in the promotion, sale and distribution of Moutai Bulao 125ml liquor products (the “**Products**”) outside Mainland China. Moutai Bulao is a 53° Baijiu produced by Guizhou Moutai Winery (Group) Health Wine Co., Ltd. (贵州茅台酒厂(集团)保健酒业销售有限公司) (“**Guizhou Moutai**”) in China’s Guizhou province. It is famously used for toasts at Chinese state banquets. Guizhou Moutai is a wholly-owned subsidiary of China Guizhou Moutai Wine Factory Co, Ltd. (中国贵州茅台酒厂(集团)有限责任公司) (“**GZMT Group**”). GZMT Group is the controlling shareholder of Kweichow Moutai Co., Ltd. (贵州茅台酒股份有限公司), China’s most valuable publicly-listed company as at June 2020¹ and one of the world’s most valuable spirits brands.² The Products are made with the core ingredients of sorghum, wheat and water, and make use of traditional brewing techniques.

Please refer below for pictures of the Products:



¹ BBC, “Kweichow Moutai: ‘Elite’ alcohol brand is China’s most valuable firm” (30 June 2020) (See <https://www.bbc.com/news/business-53216320>) (Last accessed on 3 February 2022).

² Alcoholic Drinks 2021: The annual report on the most valuable and strongest alcoholic drinks brands issued by Brand Finance in June 2021. Brand Finance is the world’s leading independent brand valuation and strategy consultancy headquartered in London, United Kingdom.

LETTER TO SHAREHOLDERS



The Target Group Companies are also engaged in the wholesale distribution of the Products to liquor stores, developing and managing liquor distribution and sales channels and developing overseas markets in Singapore, Hong Kong, USA and Australia. The Target owns the exclusive distributor rights to market and sell the Products worldwide (except in Mainland China) for the period ending 31 December 2027 (“**Distribution Rights**”). For the avoidance of doubt, the Distribution Rights include Hong Kong, Macau and Taiwan.

As at the Latest Practicable Date, the Target has signed the following distribution agreements to appoint local distributors of the Products in Singapore, Malaysia, Cambodia, Laos, Saipan, Macau and Hong Kong:

	No. of distribution agreements	No. of local distributors
Singapore	1	1
Malaysia	1	1
Cambodia	1	1
Laos	1	1
Saipan	1	1
Hong Kong and Macau	1	1

2.1.1. Agreement with Vanguard

With respect to Hong Kong, MTBL HK entered into a distribution agreement with local supermarket operator Vanguard (H.K.) Limited (華潤萬家(香港)有限公司) (“**Vanguard**”). Vanguard operates one of the largest networks of supermarkets in Hong Kong. A summary of the salient terms of the distribution agreement are as follows:

- (i) The permitted distribution period (“**Vanguard Distribution Period**”) is for ten (10) months commencing from 1 March 2021 to 31 December 2021. As at the Latest Practicable Date, MTBL HK and Vanguard are in discussions to renew the Vanguard Distribution Period by one (1) year. As at the Latest Practicable Date, the Products continue to be sold in 43 branches of Vanguard’s supermarkets in Hong Kong;
- (ii) During the Vanguard Distribution Period, unless with the prior written approval of Vanguard, MTBL HK shall not stop its business, transfer its rights under the agreement to any third party, or cooperate with a third party or authorise a third party to operate the sales booth. In the event of a breach, Vanguard shall have the right to terminate the rights to the Vanguard Distribution Period;

LETTER TO SHAREHOLDERS

- (iii) Upon the completion of the Vanguard Distribution Period, in the event Vanguard agrees in writing, MTBL HK may continue to operate, provided that MTBL HK submits the renewal request to Vanguard one (1) month before expiry of the Vanguard Distribution Period;
- (iv) MTBL HK may sell the specified products in Vanguard's supermarket. MTBL HK shall provide all the products for sale. MTBL HK shall purchase the appropriate product insurance, including all third party insurance. MTBL HK undertakes that the sale price of the product shall not be higher than the standard market price recognised by Vanguard. Vanguard shall have the final decision-making power on the sale price of the products;
- (v) In relation to the sales booth, MTBL HK shall be responsible for the hiring of all workers, their salaries, management, labour protection, mandatory provident fund contribution, and labour disputes, and MTBL HK shall bear all related costs;
- (vi) The activities of MTBL HK shall be in compliance with all applicable laws and regulations and governmental directions. MTBL HK shall obtain all governmental licences, permits and approvals as necessary to fulfil the agreement;
- (vii) In the event a customer suffers ill effects from consuming the Products purchased from Vanguard, MTBL HK is liable for any reputational damage suffered by Vanguard; and
- (viii) MTBL HK must purchase product liability insurance for the Products.

2.1.2. Target Group Customers

As at the Latest Practicable Date, the Target Group has approximately 100 customers in Singapore, which includes liquor stores, supermarkets and restaurants. In addition, as at the Latest Practicable Date, the Target Group has deployed 42 smart vending machines in 42 Chinese restaurants in Singapore. As at the Latest Practicable Date, the Target Group does not have any direct retail customers in Laos, Saipan and Cambodia. Instead, the Target Group focuses on distributorship to regional distributors in these territories and works with these regional distributors to penetrate the local markets.

For FY2019 and FY2020, the Target Group recorded a revenue of S\$1,752,832 and S\$474,762 respectively. The drop in the Target Group's sales for FY2020 was mainly caused by the global COVID-19 pandemic and global lockdowns, which severely impacted businesses worldwide, including the Target Group's businesses in Singapore, Cambodia, Laos, Saipan, Hong Kong and Macau. In particular, operational limitations on F&B businesses including restrictions against dining-in and mandated reduced seating capacity also heavily impacted the Target Group's sales of the Product in FY2020. For FY2021, the Target Group recorded a revenue of S\$1,771,244. For FY2019, the Target Group has two (2) customers which represent more than 30% of the Target Group's sales for FY2019. No single customer of the Target Group represents more than 5% of the Target Group's sales for FY2020. For FY2021, the Target Group has one (1) customer which represents 62% of the Target Group's sales for FY2021. A breakdown of the Target Group's sales to third parties and related parties for FY2019, FY2020 and FY2021 are set out in the table below:

LETTER TO SHAREHOLDERS

	Sales to third parties	Sales to related parties	Total sales
FY2019	S\$1.752 million (99.95%)	S\$0.001 million (0.05%)	S\$1.753 million (100%)
FY2020	S\$0.47 million (100%)	S\$0 (0%)	S\$0.47 million (100%)
FY2021	S\$1.771 million (100%)	S\$0 (0%)	S\$1.771 million (100%)

The Target Group is planning to establish liquor distribution channels across up to 39 cities in the coming five (5) years. As at the Latest Practicable Date, the Target Group is in the midst of building distribution channels in Singapore, Hong Kong, Macau, Saipan, Laos and Cambodia.

2.1.3. Licences, Permits and Approvals

As at the Latest Practicable Date, the licences, permits and approvals held by the Target Group are set out in the table below:

Target Group Company	Country of incorporation	Licences, permits and approvals
Target	Singapore	<p>(a) Food import registration</p> <p>Description : Registration to import processed food products and food appliances</p> <p>Registration no. : IP18L3278</p> <p>Issuer : Singapore Food Agency</p> <p>Issue date : NIL</p> <p>Date of expiry : 30 November 2022</p> <p>(b) Liquor licence (Class 3A)</p> <p>Description : Supply by retail of liquor for consumption at premises other than the licensed premises stated in the liquor licence; typically for deliveries/takeaways</p> <p>Licence no. : L/LL/034212/2021/P</p> <p>Issuer : Police Licensing and Regulatory Department, Singapore Police Force</p> <p>Grant date : 25 December 2021</p> <p>Licence period : 3 January 2022 – 2 January 2023</p> <p>Licensed premises : 9 Raffles Place, #52-01 Republic Plaza, Singapore 048619</p> <p>Special conditions : Trading hours: Monday – Sunday: 0700 – 2230 hrs Public Holiday / Eve of Public Holiday: N.A.</p> <p>(c) Liquor licence (Class 4)</p> <p>Description : Supply by wholesale of liquor for</p>

LETTER TO SHAREHOLDERS

		<p>consumption at premises other than the licensed premises stated in the liquor licence</p> <p>Licence no. : L/LL/034217/2021/P</p> <p>Issuer : Police Licensing and Regulatory Department, Singapore Police Force</p> <p>Grant date : 25 December 2021</p> <p>Licence period : 21 January 2022 – 20 January 2023</p> <p>Licensed premises : 9 Temasek Boulevard, #28-05 Suntec Tower Two, Singapore 038989</p> <p>Special conditions : Trading hours: Monday – Sunday: 0700 – 2230 hrs Public Holiday / Eve of Public Holiday: N.A.</p>
<p>MTBL Cultural</p>	<p>Singapore</p>	<p>(a) Licence to operate a restaurant</p> <p>Description : Licence to operate a foodshop (restaurant) under the business MTBL Cultural Centre at 3 Temasek Boulevard #3-300/#3-301 Suntec City Mall Singapore 038983</p> <p>Licence no. : CE19V78X000</p> <p>Issuer : Singapore Food Agency</p> <p>Date of expiry : 3 December 2022</p> <p>(b) Liquor licence (Class 1A)</p> <p>Description : Supply of liquor (all types, including beer) for consumption at the licensed premises stated in the liquor licence</p> <p>Licence no. : L/LL/020283/2021/P</p> <p>Issuer : Police Licensing and Regulatory Department, Singapore Police Force</p> <p>Grant date : 4 August 2021</p> <p>Licence period : 1 September 2021 – 31 August 2022</p> <p>Licensed premises : 3 Temasek Boulevard #03-300/301 Suntec City Mall Singapore 038983</p> <p>Special conditions : (a) Trading hours: Monday – Sunday (including Eve of Public Holiday): 0600 – 2359 hrs (b) No further extension of hours is allowed.</p> <p>(c) Liquor licence (Class 3A)</p> <p>Description : Supply by retail of liquor for consumption at premises other than the licensed premises stated in the liquor licence; typically for deliveries/takeaways</p>

LETTER TO SHAREHOLDERS

		<p>Licence no. : L/LL/025188/2021/P</p> <p>Issuer : Police Licensing and Regulatory Department, Singapore Police Force</p> <p>Grant date : 24 September 2021</p> <p>Licence period : 2 October 2021 – 1 October 2022</p> <p>Licensed premises : 3 Temasek Boulevard #03-300 Suntec City Mall Singapore 038983</p> <p>Special conditions : (a) Trading hours (Non-Liquor Control Zone):</p> <ul style="list-style-type: none"> • Monday – Sunday: 0700 – 2230 hrs • Public Holiday / Eve of Public Holiday: N.A. <p style="text-align: right;">(b) Liquor to be sold within the demarcated area.</p>
MTBL HK	Hong Kong	<p>(a) Liquor import and export licence</p> <p>Description : Liquor import and export</p> <p>Licence no. : 14197</p> <p>Issuer : Customs and Excise Department of Hong Kong</p> <p>Grant date : 19 November 2021</p> <p>Licence period : 20 December 2021 – 19 December 2022</p> <p>Licensed premises : Flat 2B10, 6/F, Wah Sing Industrial Building, 12-14 Wah Sing Street, Kwai Chung, New Territories</p>
MTBL USA	USA	<p>(a) Permit for the import of distilled spirits</p> <p>Description : Import of distilled spirits into the United States</p> <p>Permit no. : NY-I-21685</p> <p>Issuer : Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury</p> <p>Date of application : 5 February 2020</p> <p>Date of permit : 11 March 2020</p> <p>Permit period : From 11 March 2020 until suspended, revoked, annulled, voluntarily surrendered or automatically terminated</p> <p>Permitted premises : 13620 38th Ave Ste 9A-2 Flushing, NY 11354</p> <p>(b) Permit for the wholesale of distilled spirits</p> <p>Description : Purchasing distilled spirits for resale at</p>

LETTER TO SHAREHOLDERS

		<p>wholesale</p> <p>Permit no. : NY-P-22035</p> <p>Issuer : Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury</p> <p>Date of application : 5 February 2020</p> <p>Date of permit : 11 March 2020</p> <p>Permit period : From 11 March 2020 until suspended, revoked, annulled, voluntarily surrendered or automatically terminated</p> <p>Permitted premises : 13620 38th Ave Ste 9A-2 Flushing, NY 11354</p> <p>(c) Approval for alcohol beverage formula</p> <p>Description : Approval for spirits distilled from grain with natural flavours</p> <p>Formula no. : 1357051</p> <p>Approver : Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury</p> <p>Date of approval : 16 July 2020</p> <p>Date of expiry : 16 July 2030</p> <p>(d) Certificate of label approval</p> <p>Description : Approval of label on alcoholic beverages</p> <p>Formula no. : 1357051</p> <p>Approver : Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury</p> <p>Date of approval : 13 August 2020</p>
MTBL Australia	Australia	Nil

The Vendor has confirmed that the Target Group has the requisite licences, permits and approvals to undertake its existing business activities. In the event the Target Group intends to conduct business activities which differ from its existing business activities, the Target Group will apply and obtain the requisite licences, permits and approvals. The Vendor has also confirmed that the Target Group is in compliance with the ongoing conditions of the licences, permits and approvals it holds as at the Latest Practicable Date.

2.1.4. Cultural Centres

The Target Group intends to establish up to 16 cultural centres in major cities worldwide. These

LETTER TO SHAREHOLDERS

cultural centres are key to the Target Group's marketing strategy. The cultural centres are intended to provide a platform to mainly advocate Moutai Bulao and the Chinese Baijiu drinking culture, encourage appreciation and awareness for Baijiu as well as promote the Products, distribution partnerships and online sales. The cultural centres will also showcase the unique distillation and fermentation processes involved in making Baijiu and Moutai Bulao liquor. Each cultural centre will also have an exclusive membership programme, whereby persons who purchase a minimum number of Products may be invited to be a member. The cultural centres will also have kitchen and dining facilities to host private meals for members and their guests in an exclusive, high-end setting where Chinese cuisine will be served together with the Products. The estimated cost of building each cultural centre will differ for each city.

As at the Latest Practicable Date, the Target Group operates one (1) cultural centre, which is located in Singapore. The cultural centre in Singapore was set up in 2019 and is wholly owned by MTBL Cultural. The aim of the Singapore cultural centre is to promote "Chinese Baijiu" culture in Singapore and to serve Chinese cuisine with Moutai Bulao liquor. As at the Latest Practicable Date, there are three (3) staff working at the Singapore cultural centre, including kitchen staff and service staff. The staff are all employed by MTBL Cultural. The estimated cost of building the Singapore cultural centre was approximately S\$400,000 and its annual operating cost is approximately S\$200,000.

2.1.5. Digital Strategy and Vending Machines

The Target Group intends to sell and display the Products in smart vending machines in Chinese restaurants both in Singapore and overseas. Harnessing the data gathered by these vending machines, the Target Group aims to leverage on a smart logistics supply chain to automatically trigger replenishment orders when stocks run low based on real-time updates on sales data. The Target Group plans to use this data-driven digital platform to aid in shipping, freight allocation and central order planning, so as to streamline and enhance its liquor distribution channels worldwide.

The Target has started to deploy smart vending machines selling and displaying the Products in Chinese restaurants in Singapore. For vending machines to be placed in these restaurants, such restaurants must hold a Liquor Licence Class 1A/1B issued by the Police Licensing and Regulatory Department of the Singapore Police Force. As at the Latest Practicable Date, the Target Group has not deployed vending machines selling the Products other than in restaurants in Singapore that hold the requisite liquor licence.

As at 31 December 2021, the Target has deployed 42 smart vending machines in Singapore, and aims to increase this number to 2000 by 2024, to be situated in Chinese restaurants and entertainment venues in Singapore. The Target also plans to introduce these smart vending machines selling and displaying the Products in 39 other cities. As at the Latest Practicable Date, the Target Group is exploring its deployment strategy in these 39 other cities.

A key step of the Target Group's digital platform strategy is the deployment of the smart vending machine. For these purposes, the Target Group has hired full-time staff to oversee the enhancement and deployment of the Target Group's smart vending machines and go-to-market strategy and to work with an outsourced IT team to enhance the Target Group's digital media platforms, including its online website and social media platforms.

The Company believes that there is a strong demand for Baijiu, and the Products in particular, in overseas markets outside of Mainland China. Recent statistics of sales of the Products through the use of smart vending machines placed in Chinese restaurants in Singapore,

LETTER TO SHAREHOLDERS

notwithstanding the economic slowdown caused by the COVID-19 pandemic, have also reinforced this belief. As at the Latest Practicable Date:

- (a) the Target Group, together with Shenzhen Hive Box Network Technology Limited (“**Hive Box Technology**”), has developed four (4) versions of smart vending machines for the sale and display of the Products, including wall-mounted and table top vending machines; and
- (b) the Target Group has deployed a total of 42 smart vending machines in 42 Chinese restaurants in Singapore; and
- (c) the actual achieved sales from the smart vending machines deployed in Singapore as at 31 December 2021 (based on the retail price of the Product) has met the forecast assumption used in the Vendor Valuation Report. These sales figures have bolstered the Company’s confidence in the demand for the Products.

The Company therefore believes that there will be a correspondingly high demand for such vending machines retailing the Products amongst Chinese restaurants. As such, the Company is of the view that with the Target Group’s business model and unique approach to liquor distribution through the use of vending machines, IT, big data, and targeted marketing, the Target Group will be able to build and establish a sizeable distribution network by leveraging on the demand and marketability of Moutai Bulao liquor.

Agreement with Ming Wah (Singapore) Agency Co., Ltd and Trade Risk Solutions Pte Ltd

The Target had also on 3 September 2021 entered into a memorandum of understanding (“**MOU**”) with Ming Wah (Singapore) Agency Co., Ltd (“**MWSA**”) (an indirect subsidiary of China Merchants Energy Shipping Co., Ltd.) and Trade Risk Solutions Pte Ltd for the promotion of the Product in 50 countries. The MOU with MWSA and TRS enables the Target to tap on MWSA’s vast global logistics network and access to duty-free bonded warehouses.

2.2. The Target Group Companies

- (a) **Target.** The Target is a company incorporated under the laws of Singapore, having its registered office at 9 Temasek Boulevard, #28-05 Suntec Tower Two, Singapore 038989. The Target was incorporated on 6 December 2018. As at the Latest Practicable Date, the Target has an issued and paid-up capital of S\$5,754,780 divided into 5,754,780 shares. Gao Liande is the sole director of the Target.

The principal business of the Target is in the distribution of alcoholic and non-alcoholic beverages and liquor, and investment holding.

- (b) **MTBL Cultural.** MTBL Cultural is a company incorporated under the laws of Singapore, having its registered office at 9 Temasek Boulevard, #28-05 Suntec Tower Two, Singapore 038989. As at the Latest Practicable Date, MTBL Cultural has an issued capital of S\$100,000 divided into 100,000 shares. The Target holds 100% shareholding interest in MTBL Cultural. The principal activities of MTBL Cultural are the marketing and promoting of liquor, soft drinks and beverages and the restaurant business. Gao Liande is the sole director of MTBL Cultural.
- (c) **MTBL HK.** MTBL HK is a company incorporated under the laws of Hong Kong, having its registered office at Unit 202-204A, 2/F., Two Harbourfront, 22 Tak Fung Street, Hung

LETTER TO SHAREHOLDERS

Hom, Kowloon. As at the Latest Practicable Date, MTBL HK has an issued and fully paid-up capital of HK\$10,000 divided into 10,000 shares. The Target holds 100% shareholding interest in MTBL HK. The principal activities of MTBL HK are the marketing and promoting of liquor, soft drinks and beverages. The directors of MTBL HK are Chen Jing and Ng Cheung Hiu.

- (d) **MTBL USA.** MTBL USA is a company incorporated under the laws of the state of New York, United States of America, having its registered office at 136-20 38th Ave, Suite 9A-2 Flushing, NY 11354. As at the Latest Practicable Date, MTBL USA has an issued and fully paid-up capital of US\$99,975 divided into 200 shares. The Target holds 100% shareholding interest in MTBL USA. The principal activities of MTBL USA are the marketing and promoting of liquor, soft drinks and beverages. Jerry Chu is the sole director of MTBL USA.
- (e) **MTBL Australia.** MTBL Australia is a company incorporated under the laws of Australia, having its registered office at 243 Warrigal Road, Cheltenham, VIC 3192. As at the Latest Practicable Date, MTBL Australia has an issued and fully paid-up capital of A\$10,000 divided into 10,000 shares. The Target holds 100% shareholding interest in MTBL Australia. The principal activities of MTBL Australia are the marketing and promoting of liquor, soft drinks and beverages. The directors of MTBL Australia are Xiaoxia Ren and Jing Chen.

The Target Group Companies commenced their business in relation to the Products upon their incorporation. As at the Latest Practicable Date, there has been no change in the business of the Target Group Companies since their respective dates of incorporation.

2.3. Distribution Rights

As at the Latest Practicable Date, the Target holds the exclusive rights to distribute the Products worldwide except for in Mainland China for the period ending 31 December 2027 (“**Distribution Rights**”). The Target received the Distribution Rights from Dongying Circle International Trade Co., Ltd. (东营圈里圈外国际贸易有限公司) (“**Dongying**”).

Dongying is a company incorporated in the People’s Republic of China with a registered capital of RMB20,000,000. The controlling shareholders (being holders of 15% equity or more) of Dongying are:

- (a) 李忠国 (Zhongguo Li), who holds 39% of the subscribed registered capital of Dongying;
- (b) 蔡雪莲 (Xuelian Cai), who holds 32.5% of the subscribed registered capital of Dongying;
- and
- (c) 宋在国 (Zaiguo Song), who holds 20% of the subscribed registered capital of Dongying.

李忠国 (Zhongguo Li) is also the sole director of Dongying.

The Vendor has confirmed that Dongying is not related to the GZMT Group or the Target Group. The Vendor has also confirmed that, save for the Dongying Distribution Agreement entered into between Dongying and Guizhou Moutai, Dongying is not related to Guizhou Moutai. To the best of the Vendor’s knowledge, Dongying was granted the Distribution Rights as a result of arms-length discussions between Dongying and Guizhou Moutai.

2.3.1. Distribution Agreements

LETTER TO SHAREHOLDERS

On 21 May 2018, Dongying and Guizhou Moutai entered into a distribution agreement (the “**Dongying Distribution Agreement**”) pursuant to which Guizhou Moutai granted Dongying exclusive rights to distribute the Products worldwide for the period commencing from 21 May 2018 and ending on 31 December 2027 (“**Dongying Worldwide Distribution Rights**”). For the avoidance of doubt, the Dongying Worldwide Distribution Rights, being the distribution rights granted under the Dongying Distribution Agreement, are exclusive rights.

Pursuant to a distribution agreement (“**CIG Distribution Agreement**”) entered into on 29 November 2018 between Dongying and the Vendor, and a subsequent assignment by the Vendor to the Target (a wholly owned subsidiary of the Vendor), the Distribution Rights granted by Dongying to the Vendor were assigned by the Vendor to the Target on 6 December 2018. The Distribution Rights were assigned by the Vendor to the Target for a consideration of US\$2,000,000 (“**Transfer Fee**”), which was satisfied by way of allotment and issuance of ordinary shares in the Target to the Vendor. For the avoidance of doubt, the Distribution Rights, being the distribution rights granted under the CIG Distribution Agreement, are exclusive rights.

For the avoidance of doubt, the Dongying Worldwide Distribution Rights include the right to distribute the Products in Mainland China, whereas the Distribution Rights do not include the right to distribute the Products in Mainland China.

The key termination provisions under the Dongying Distribution Agreement and CIG Distribution Agreement are as follows:

Key termination provisions under Dongying Distribution Agreement	Key termination provisions under CIG Distribution Agreement
(a) During the period Dongying serves as authorised distributor of the Products, if the Products are modified or replaced, Dongying shall be granted first right of distribution and Dongying shall have the right to terminate the Dongying Distribution Agreement;	(a) During the period the Vendor serves as authorised distributor of the Products, if the Products are modified or replaced, the Vendor shall be granted first right of distribution and the Vendor shall have the right to terminate the CIG Distribution Agreement;
(b) During the term of the Dongying Distribution Agreement, Dongying shall meet the annual sales targets. If Dongying fails to meet the annual sales targets, Guizhou Moutai may terminate the Dongying Distribution Agreement;	(b) During the term of the CIG Distribution Agreement, the Vendor shall meet the annual sales targets. If the Vendor fails to meet the annual sales targets, Dongying may terminate the CIG Distribution Agreement;
(c) If Guizhou Moutai breaches its obligations under the Dongying Distribution Agreement, and fails to remedy such breach, or such breach cannot be remedied, Dongying may terminate the Dongying Distribution Agreement; and	(c) If Dongying breaches its obligations under the CIG Distribution Agreement, and fails to remedy such breach, or such breach cannot be remedied, the Vendor may terminate the CIG Distribution Agreement; and

LETTER TO SHAREHOLDERS

Key termination provisions under Dongying Distribution Agreement	Key termination provisions under CIG Distribution Agreement
(d) If Dongying meets its annual sales targets, Guizhou Moutai may not for any other reason terminate the Dongying Worldwide Distribution Rights granted to Dongying under the Dongying Distribution Agreement.	(d) If the Vendor meets its annual sales targets, Dongying may not for any other reason terminate the Distribution Rights granted to the Vendor under the CIG Distribution Agreement.

For the avoidance of doubt, the annual sales targets to be satisfied by Dongying under the Dongying Distribution Agreement are different from the annual sales targets to be satisfied by the Vendor under the CIG Distribution Agreement.

2.3.2. Annual Sales Targets

The Vendor understands from Dongying that Dongying has met its annual sales targets thus far, and this has been acknowledged by Guizhou Moutai. Further, under the Deed of Novation, Dongying has represented, warranted and undertaken to the Target that as at 21 April 2021, Dongying is not in default of the Dongying Distribution Agreement (including but not limited to its sales targets) and there are no circumstances likely to give rise to any such default.

Under the CIG Distribution Agreement (as amended by the Deed of Novation), the Target is required to meet the following annual sales targets:

Period during the term of the CIG Distribution Agreement	Sales target
Up to 31 December 2018	1000 cartons
Up to 31 January 2019	RMB 29,300,000
Up to 28 February 2019	
Up to 31 March 2019	
Up to 31 December 2019	RMB 85,000,000
Up to 31 December 2020	RMB 250,000,000
Up to 31 December 2021	RMB 500,000,000
Up to 31 December 2022	RMB 800,000,000
Up to 31 December 2027	RMB 1,000,000,000 – RMB 10,000,000,000

Although the Target did not meet the 2019 and 2020 sales targets, Dongying agreed in the Deed of Novation that the CIG Distribution Agreement will continue to take effect in view of the global pandemic and other force majeure events. Due to the ongoing global COVID-19 pandemic, the Target did not meet the 2021 annual sales targets under the CIG Distribution Agreement. For FY2021, the Target achieved sales amounting to S\$1,771,244 across Singapore, USA and Hong Kong.

The Target Group will actively pursue its plans to deploy smart vending machines in Chinese restaurants and entertainment venues in Singapore as well as overseas, and continue to enter into more distribution agreements and actively penetrate the markets in Singapore, Cambodia, Laos, Saipan, Hong Kong and Macau for large-scale distribution of the Products, while actively expanding into other countries either through regional or local distributors. The Target Group also wishes to highlight that Dongying has been made aware that the Target's sales of the

LETTER TO SHAREHOLDERS

Products have been heavily impacted by the COVID-19 pandemic. The Target Group also intends to engage Dongying on a more frequent basis and provide Dongying with regular updates on the status of its sales.

Please see Section 8.6(o) of this Circular for further information on risks relating to the Distribution Rights, such as the risk of termination arising from the Target's failure to meet its sales targets.

2.3.3. Deed of Novation

Under the conditions precedent to the Proposed Acquisition, the Target, Dongying and the Vendor are required to enter into a deed of novation (the "**Deed of Novation**") pursuant to which the Vendor shall novate the Distribution Rights to the Target. As at the Latest Practicable Date, the Deed of Novation has been entered into. The purpose of the Deed of Novation is to allow the Target to receive the Distribution Rights directly from Dongying, instead of through the Vendor. Following Completion of the Proposed Acquisition, this arrangement will also eliminate the need to deal with or work through the Vendor, which will constitute an interested person transaction. Pursuant to the Deed of Novation, as of 21 April 2021, the Target holds the Distribution Rights directly from Dongying and the Vendor no longer has any interests in the Distribution Rights.

The salient terms of the Distribution Rights (as novated to the Target) are as follows:

- (i) Dongying designates the Target as exclusive worldwide distributor of the Products outside Mainland China (including Hong Kong, Macau and Taiwan);
- (ii) The designated sale products shall be the Products;
- (iii) The Target shall serve as authorised distributor of the Products for the period ending 31 December 2027;
- (iv) During the period the Target serves as authorised distributor of the Products, if the Products are modified or replaced, the Target shall be granted first right of distribution and the Target shall have the right to terminate the CIG Distribution Agreement (as amended by the Deed of Novation);
- (v) During the term of the CIG Distribution Agreement (as amended by the Deed of Novation), the Target shall meet the annual sales targets. If the Target fails to meet the annual sales targets, Dongying may terminate the CIG Distribution Agreement (as amended by the Deed of Novation);
- (vi) If Dongying breaches its obligations under the CIG Distribution Agreement (as amended by the Deed of Novation), and fails to remedy such breach, or such breach cannot be remedied, the Target may terminate the CIG Distribution Agreement (as amended by the Deed of Novation);
- (vii) If the Target meets its annual sales targets, Dongying may not for any other reason terminate the Distribution Rights granted to the Target under the CIG Distribution Agreement (as amended by the Deed of Novation); and
- (viii) The Target shall strictly adhere to the sale price of the Products set by Dongying, failing which Dongying has the right to cease supply of the Products to the Target.

LETTER TO SHAREHOLDERS

Under the Deed of Novation, Dongying has further represented, warranted and undertaken to the Target that:

- (i) it has full power and authority to enter into and deliver, and perform and comply with its obligations under the Deed of Novation and the CIG Distribution Agreement;
- (ii) the Dongying Distribution Agreement and the CIG Distribution Agreement have been duly executed and delivered by Dongying, and constitutes legal, valid and binding obligations of Dongying enforceable against it in accordance with the relevant terms;
- (iii) nothing in the Dongying Distribution Agreement restricts or prohibits Dongying from transferring its rights or obligations under the Dongying Distribution Agreement;
- (iv) considering the global pandemic and other force majeure events, the CIG Distribution Agreement will continue to take effect;
- (v) when the price of the Products rises or falls due to price adjustments by the manufacturer, Dongying and the Target will negotiate the agent price and listed sales price; and
- (vi) as at 21 April 2021:
 - A. no amendment, supplement, deletion, variation or replacement of the Dongying Distribution Agreement or of any of the terms therein has been effected;
 - B. other than pursuant to the Deed of Novation, no amendment, supplement, deletion, variation or replacement of the CIG Distribution Agreement or of any of the terms therein has been effected;
 - C. Dongying is not in default of the Dongying Distribution Agreement (including but not limited to its sales targets) and there are no circumstances likely to give rise to any such default;
 - D. the Vendor is not in default of the CIG Distribution Agreement (including but not limited to its sales targets) and there are no circumstances likely to give rise to any such default;
 - E. no notice of termination of the Dongying Distribution Agreement has been received or served by Dongying, and there are no grounds for the termination, rescission, avoidance, repudiation or a material change in the terms of the Dongying Distribution Agreement; and
 - F. no notice of termination of the CIG Distribution Agreement has been received or served by Dongying or the Vendor, and there are no grounds for the termination, rescission, avoidance, repudiation or a material change in the terms of the CIG Distribution Agreement.

It should be noted that the Distribution Rights of the Target are granted out of the Dongying Worldwide Distribution Rights. This means that in the event the Dongying Worldwide Distribution Rights are terminated or found to be defective or unenforceable, the Distribution

LETTER TO SHAREHOLDERS

Rights of the Target (which are granted by Dongying) may also be impacted or terminated. Please see Section 8.6(o) of this Circular for further information on risks relating to the Distribution Rights, such as the risk of termination arising from the failure by Dongying to meet its sales targets under the Dongying Distribution Agreement.

2.4. Financial Highlights of the Target Group

The unaudited consolidated net asset value (“NAV”) and net tangible assets (“NTA”) attributable to the shareholders of the Target Group as at 31 December 2021 is approximately S\$5,381,296 and S\$3,240,697 respectively. The total assets and total liabilities of the Target Group as at 31 December 2021 is S\$6,574,159 and S\$1,192,863 respectively. The financial year end of the Target Group is 31 December.

Under the terms of the Sale and Purchase Agreement, it is a condition precedent to completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement (“**Completion**”) that the NAV of the Target is not less than S\$5,000,000. As at the Latest Practicable Date, the NAV of the Target is S\$5,865,818.

Based on the unaudited financial statements of the Target Group for FY2021, the Target Group’s profit before income tax, minority interest and extraordinary items is approximately S\$71,918.

A summary of the unaudited financial information of the Target Group is set out in [Appendix 1](#).

Board’s Assessment

It is noted that based on the Target Group’s unaudited financial statements for FY2021, the Target Group’s trade receivables as at 31 December 2021 were S\$1,273,572, and its deposits and other receivables mainly from the holding company and its subsidiaries were S\$1,846,814. The Board believes that the collectability of the Target Group’s trade receivables will not pose any issues as these were relatively small amounts. The other receivables shall be collectable as the amounts were owed within the Target Group and the Vendor and Mr Sun have undertaken to guarantee such amounts. The Board further notes that the Vendor and the Target Group have confirmed that the other receivables will be collected no later than Completion of the Proposed Acquisition.

As the Target was only incorporated on 6 December 2018, there is a limited track record to make meaningful market comparison. The Board however considers that the Target Group’s financial performance is in line with the market, having considered:

- (a) Moutai Bulao is a well-established brand of Chinese Baijiu and its products are in high demand;
- (b) the exclusive rights to distribute the Products globally outside Mainland China represents a huge potential market that can be tapped on;
- (c) the Target Group was profitable during its first year of operation in FY2019, and in FY2021. The Target Group was loss-making in FY2020 due to the COVID-19 pandemic, which affected the global F&B industry. As such, the Target Group’s performance was in line with the general market trend; and

LETTER TO SHAREHOLDERS

- (d) despite restrictions brought about by the COVID-19 pandemic, the Target was able to make progress in building its sales and distribution infrastructure (namely, developing smart vending machines, obtaining liquor licenses in several countries and entering into strategic agreements with distributors), attract and retain staff with the requisite experience, and still distribute the Products in several countries, including Hong Kong, Macau, Cambodia, Laos and Saipan.

2.5. The Vendor

The Vendor is an investment holding company incorporated in the Cayman Islands, having its registered address at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

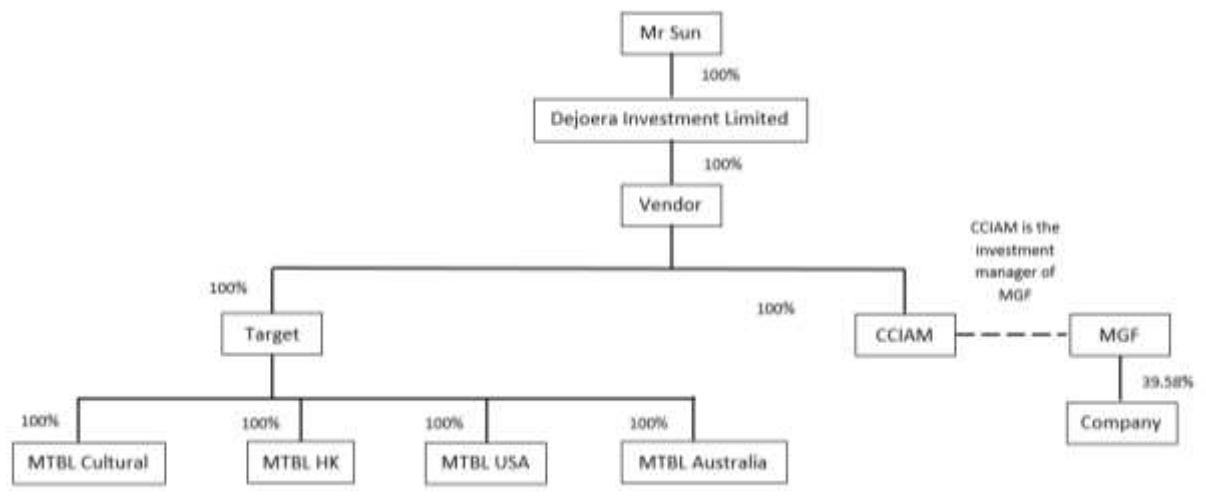
The Vendor is wholly-owned by Dejoera Investment Limited, which is in turn wholly owned by Mr Sun. Mr Sun is also the Executive Director of the Company.

2.6. The Relationship between the Company, the Vendor, Mr Sun and the Target Group

MGF is a substantial shareholder of the Company. CCIAM is the investment manager of MGF, while CCIAM is wholly-owned by the Vendor.

The Target is also a wholly-owned subsidiary of the Vendor.

For illustrative purposes, please see the following diagrammatic chart outlining the relationship between the Company, the Vendor, Mr Sun and the Target Group:



Note: For the purposes of clarity, some subsidiaries, associated companies and related companies of Dejoera Investment Limited, CCIAM and the Company (as the case may be), including intermediate holding entities, have not been included.

2.7. Comments from the Independent Directors on the business plan and projections of the Target

LETTER TO SHAREHOLDERS

The Independent Directors³ of the Company have assessed the reasonableness of the business plan and the financial projections of the Target both prior to and after the Company's entry into the Sale and Purchase Agreement. There had been numerous discussions amongst the Independent Directors themselves, discussions with Mr Sun (the Vendor's representative), discussions with the Financial Advisor and Legal Advisor appointed to advise the Company on the matter, and with the Company's Appointed Valuer (Cushman & Wakefield VHS Pte. Ltd.). In these reviews and discussions, a key concern of the Independent Directors was the viability and prospects of the business proposed to be acquired.

The Independent Directors recognized that Moutai Bulao is an established brand of Baijiu and is in great demand in China. It is produced by Kweichow Moutai Co., Ltd., one of the largest listed companies in China. As such, it is of the view that there should be no major issues with the quality and saleability of the Product. The brand recognition of the Product is also strong outside China, particularly to Chinese citizens and persons of Chinese descent living or working outside China. Hence, the Product is considered to have good demand potential outside China. A key factor to the growth of the Target Group is how the demand potential can be realised.

In the numerous interactions and discussions between the Independent Directors and Mr Sun, Mr Sun had presented detailed business plans for the marketing and distribution of the Product in Singapore and overseas through restaurants and bars, supermarkets and stores and overseas distributors. Key aspects of these plans included the establishment of a platform for digital marketing that entails smart vending machines being set up in premises of business partners (including restaurants) globally. The Independent Directors note that the Target has made progress in the deployment of the smart vending machines and its engagement with Chinese restaurants interested in placing such smart vending machines in their F&B establishments, as disclosed in Section 2.1 of the Circular.

The digital marketing platform is designed to offer advantages of scalability and instant access to data on consumers, sales, stock and inventory, as well as instant electronic payment. The Independent Directors note that the Target is partnering with Hive Box Technology, the largest smart vending machine manufacturer in China, to design, manufacture and deploy the smart vending machines selling and displaying the Product. The Target has so far developed four (4) generations of smart vending machines to be deployed according to the varying requirements of sales outlets. This is a positive indicator of the efforts put in by the Target Group in developing its sales platform and infrastructure, which take into account the specific needs of its sales and distribution partners, and its unique approach to retail of the Products through F&B establishments.

The Independent Directors note that the Target has recorded a revenue of S\$1,771,244 for FY2021, notwithstanding the COVID-19 pandemic restrictions, which has severely affected the F&B industry. The Independent Directors note that F&B establishments are themselves searching for novel and efficient ways to attract and serve its customers in light of the significant negative impact of the COVID-19 pandemic on the F&B industry. The Independent Directors therefore recognise that there is strong potential in leveraging on the novelty of smart vending

³ The Independent Directors of the Company as at 31 December 2020 (being the date of the Sale and Purchase Agreement), comprised Mr Teng Cheong Kwee ("**Mr Teng**"), Dr Vasoo Sushilan ("**Dr Sushilan**") and Mr Yeung Koon Sang alias David Yeung ("**Mr Yeung**"). Dr Sushilan and Mr Yeung retired on 28 April 2021, while Mr Teng ceased being a Director on 1 January 2022. As at the Latest Practicable Date, the Independent Directors of the Company comprise Dr. Tan Khee Giap, Mr. Siow Chee Keong and Mr. Chua Wei Ming.

LETTER TO SHAREHOLDERS

machines to sell the Product to penetrate the overseas Baijiu market through F&B establishments worldwide. The Independent Directors are also confident that the Target's unique strategy of making use of smart vending machines to capture real time sales data will be effective in facilitating stock replenishment and logistics, thus enhancing the sale and distribution of the Products worldwide. Further, the valuable data gathered on product sales and customer profiles will also enable the Target Group to improve its business model, customise promotional activities and deliver added value to both its customers and business partners.

The Independent Directors sought to understand how such systems would work, what sales such systems could generate, how much they would be expected to cost and how they would be financed. The Independent Directors had also asked for the appointment of an independent professional valuer to conduct a full assessment and valuation on the Target Group's business. Rounds of discussions were held with the Company's Appointed Valuer, Cushman & Wakefield, to review the reports produced. Questions were raised and Cushman & Wakefield was asked to explain and clarify the bases and assumptions made, including the sale projections used for the purpose of the valuation, how the financial projections compared to historical trends, the operating parameters used for the purposes of the projection period (including the number of overseas distributors the Target Group would have, the number of supermarket outlets selling the Products, and the number of bottles of the Product sold), and the impact of the COVID-19 pandemic. Consideration was also taken of the results of the marketing and sales of the Product undertaken by the Target during the period. The Independent Directors were cognizant that the business projections could also be subject to a greater degree of uncertainty given that the Target Group was still a relatively new company with a relatively short operating record. Adding to this was the COVID-19 pandemic situation that had disrupted the normal operation of businesses since the start of 2020.

Noting that sales of Moutai Bulao liquor outside China is a fraction of that in China, the Independent Directors see significant potential (given time and sufficient resources) in expanding sales of the Product outside China through the optimisation and efficient management of distribution channels. Based on their understanding of the business plans of the Target Group, the Independent Directors judged that there are good long-term prospects in the Target Group's business of the distribution and sale of the Products outside China. Further, the Independent Directors understand that the Target procures the Products from Dongying at a significant discount to the retail price of the Products, providing a strong basis for the Target Group to be a highly profitable business.

The Independent Directors recognise that there is significant commercial value in the Distribution Rights granted to the Target to market and sell the Products worldwide (except in Mainland China), particularly given the significant value of the Guizhou Moutai brand, and that the rights granted are exclusive rights. The Independent Directors also note that the two (2) independent professional valuers had taken into consideration the terms of the Distribution Rights in their valuation of 100% equity interest in the capital of the Target Group. With the necessary investments and resources, the Independent Directors believe that the acquisition of the Target, which holds the Distribution Rights, has the potential to translate into sales revenue which will improve the financial performance of the Company.

As with many businesses, whether they are new, growing or mature, there would be uncertainties in how the business plans would pan out over time, more so with the uncertainties brought about by the COVID-19 pandemic. Business projections are often subject to uncertainties, and more so, where the business has a relatively short operating record such as in the case of the Target. The Independent Directors noted that the Company's Appointed

LETTER TO SHAREHOLDERS

Valuer, Cushman & Wakefield, had factored in such issues in its valuation of the business of the Target Group as at the Valuation Date. The Independent Directors had taken these factors into account in their deliberations on the various terms and conditions to be included as part of the Sale and Purchase Agreement, so as to better safeguard the interests of the Company and its shareholders.

The Independent Directors also acknowledge that the Target Group has taken active steps to establish a presence in Singapore, Hong Kong, USA and Australia, and notwithstanding restrictions and lockdowns, to build and deploy smart vending machines and foster and continue to build and manage distribution networks and infrastructure. In particular, the Target, MTBL Cultural, MTBL HK and MTBL USA have applied for and obtained various licences required for the conduct of its business in the respective territories, including liquor licences and wholesale, import and export licences. Sales agreements have also been entered into by the Target Group for the sale and distribution of the Products in Singapore, Hong Kong, Macau, Cambodia, Saipan and Laos, while memorandums of understanding have also been entered into by the Target Group for the distribution of the Products online. The Target Group has also generated revenue through the sale of the Products in restaurants and supermarkets and to corporate and individual clients, showing that it is able to establish valuable relationships with distribution partners to promote the Product. Further, the Independent Directors also recognise that the Target Group has taken active steps to identify personnel with expertise in the liquor industry with a view to attracting such talent to form a stronger team capable of executing the Target's strategy of bringing the Product to markets outside of China following Completion of the Proposed Acquisition.

3. THE PROPOSED ACQUISITION

3.1. Key Terms of the Proposed Acquisition

3.1.1. Acquisition of Target Group

On 31 December 2020, the Company entered into the Sale and Purchase Agreement with the Vendor in respect of the Proposed Acquisition. On 3 February 2022, the Company entered into a supplemental agreement to the Sale and Purchase Agreement with the Vendor to, *inter alia*, amend the profit targets in relation to payment of the Balance Consideration and exercise of the Option, and to extend the Long-Stop Date.

Pursuant to the Proposed Acquisition, the Company shall acquire from the Vendor the Sale Shares, being 5,754,780 ordinary shares in the Target, representing 100% of the total issued share capital of the Target for an aggregate Consideration of up to S\$20,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

The Sale Shares shall be sold and transferred free from all encumbrances and with all rights attached thereto as at the Completion Date.

3.1.2. Consideration and Payment Terms

Subject to the terms and conditions of the Sale and Purchase Agreement, the aggregate Consideration payable by the Company to the Vendor for the Proposed Acquisition shall be up to S\$20,000,000.

The Consideration will be satisfied in the following manner:

LETTER TO SHAREHOLDERS

- (a) firstly, the first tranche consideration (“**First Tranche Consideration**”), being:
- (i) S\$12,000,000; or
 - (ii) if the Consideration is less than S\$12,000,000, the entire Consideration,
- which shall be satisfied by way of cash, to be paid by the Company to the Vendor on the Completion Date; and
- (b) secondly, the remaining balance Consideration (if any) (the “**Balance Consideration**”), which shall be satisfied by way of cash, subject to Section 3.1.4. If the Consideration is equal to or less than S\$12,000,000, no Balance Consideration is payable.

3.1.3. Formula for determining the Consideration

The Consideration, which shall be subject to a maximum of S\$20,000,000, shall be determined by applying the following formula (the “**Consideration Formula**”):

$$\textit{Consideration} = K \times AV$$

where:

- (a) “**Average Valuation**” or “**AV**” means the average of the two (2) valuations of 100% equity interest in the capital of the Target Group, on the following bases:
- (i) one (1) valuation shall be conducted by the Company’s Appointed Valuer;
 - (ii) one (1) valuation shall be conducted by the Vendor’s Appointed Valuer;
 - (iii) the effective date of the valuation reports must not be more than six (6) months from the date of the Circular;
 - (iv) each valuation shall be on substantially similar bases and assumptions; and
 - (v) in the event any valuation is expressed as a range, the valuation taken for the purposes of calculating the Average Valuation shall be the average of the upper limit and lower limit for that valuation.
- (b) “**K**” refers to the adjustment factor of 90% (i.e. discount of 10% applied to the Average Valuation).

Determining the Average Valuation, Discounted Average Valuation and Consideration

Applying the Consideration Formula, the Average Valuation of S\$18,850,000 was arrived at by obtaining the average of: (i) S\$12,800,000, being the average of the upper limit and lower limit of the valuation conducted by the Company’s Appointed Valuer, and (ii) S\$24,900,000, being the average of the upper limit and lower limit of the valuation conducted by the Vendor’s Appointed Valuer. As the Discounted Average Valuation (as defined below) of S\$16,965,000 (arrived at after applying a 10% discount to the Average Valuation of S\$18,850,000) does not exceed S\$20,000,000, the Consideration for the purposes of the Sale and Purchase Agreement shall be S\$16,965,000. Please refer to Section 4.5 of this Circular for further information on the determination of the Consideration.

LETTER TO SHAREHOLDERS

Based on the Consideration of S\$16,965,000, the First Tranche Consideration shall be S\$12,000,000 and the Balance Consideration shall be S\$4,965,000.

Board's Assessment

(a) *Deliberation over Consideration*

The Company had preliminary discussions with the Vendor in respect of the Proposed Acquisition in late November 2019. For the avoidance of doubt, no formal agreement was entered into with respect to the Proposed Acquisition until 31 December 2020. During these preliminary discussions, the Board had appointed Cushman & Wakefield VHS Pte. Ltd., the Company's Appointed Valuer, to provide various draft valuation reports. The Board reviewed these reports and received updates on the Target Group's business and operational developments as well as general market conditions. Please find below a table setting out the various draft calculations and/or draft valuation results/reports provided:

Draft no.	Valuation date	Valuer and Valuation range	Comments
1	30 November 2019	Company's Appointed Valuer: Low of S\$26,400,000 and high of S\$34,200,000	Indicative valuation range only, mainly to facilitate discussions between the Parties.
2 ("Draft 2")	31 March 2020	Company's Appointed Valuer: Low of S\$20,300,000 and high of S\$23,400,000	Draft valuation range updated to factor in the effects of COVID-19, at the request of the Company.
3	31 December 2020	Company's Appointed Valuer: Low of S\$14,400,000 and high of S\$18,500,000 Vendor's Appointed Valuer: Low of S\$30,800,000 and high of S\$34,300,000	The draft valuation reports prepared by the Company's Appointed Valuer and the Vendor's Appointed Valuer respectively were provided to the Board in mid-April 2021
4	30 September 2021	Company's Appointed Valuer: Low of S\$11,700,000 and high of S\$13,900,000 Vendor's Appointed Valuer: Low of S\$23,700,000 and high of S\$26,100,000	The draft valuation reports prepared by the Company's Appointed Valuer and the Vendor's Appointed Valuer respectively were provided to the Board in mid-November 2021

After Draft 2 was circulated, due to adverse market developments and the global COVID-19 pandemic, as well as the declaration of a "circuit breaker" (lockdown) in Singapore, discussions between Parties were temporarily suspended in order for Parties to gain more visibility on market developments.

Around late 2020, when Parties resumed discussions, the Vendor requested to appoint a valuer to facilitate negotiations. The Company agreed to this request, on the condition that the Consideration would be at a 10% discount to the Average Valuation and subject to a maximum

LETTER TO SHAREHOLDERS

Consideration of not more than S\$20,000,000. The Consideration Formula was thus agreed on this basis, and the Sale and Purchase Agreement was entered into on 31 December 2020. The S\$20,000,000 threshold was decided taking into consideration the lower end of the valuation range of the latest valuation report available at that point in time, being Draft 2.

In November 2021, both the Company's Appointed Valuer and the Vendor's Appointed Valuer provided their updated draft valuation reports based on the Valuation Date of 30 September 2021. The Consideration was thus derived by applying the Consideration Formula and the terms and conditions of the Sale and Purchase Agreement.

(b) Difference between the Transfer Fee and Consideration

For the avoidance of doubt, the Company wishes to clarify that the maximum Consideration of S\$20 million payable by the Company to the Vendor for the acquisition of the Sale Shares is not an appropriate comparison with the US\$2 million Transfer Fee paid by the Target for the assignment of the Distribution Rights by the Vendor to the Target. The Company sets out below the key differences between the two:

- (1) **Transaction consideration.** Firstly, both the US\$2 million Transfer Fee and maximum Consideration of S\$20 million are not valuation figures. Instead, these amounts are transaction consideration negotiated by different parties at different times and for different acquisition targets. In the case of the US\$2 million Transfer Fee, this was negotiated between the Vendor and the Target in 2018 in respect of the Distribution Rights. In the case of the maximum Consideration of S\$20 million, this was negotiated between the Vendor and the Company in late 2020 in respect of 100% shareholding interest in the Target, taking guidance from the latest draft Company Valuation Report then available. As there was no valuation conducted in 2018, the Company is unable to comment on whether the value of the Distribution Rights (being the subject of transfer from Vendor to Target) was in fact US\$2 million in 2018. Rather, the Transfer Fee was a price agreed upon by the Vendor and the Target for the transfer of the Distribution Rights (the "Transfer"). The Company understands that the Transfer was an internal restructuring exercise, as further described in sub-paragraph (3) below.
- (2) **Transfer vs Sale.** The Company notes that following the transfer of the Distribution Rights, the Vendor continues to remain as a 100% shareholder of the Target. This is different from the Proposed Acquisition, which involves the sale of 100% interest in the Target to the Company. Given the different resultant effects of the Transfer and the Proposed Acquisition, the Transfer Fee and the Consideration therefore should not be seen as the monetary value of the same intangible asset.
- (3) **Internal Restructuring Exercise.** The Independent Directors have been made aware that the Distribution Rights were transferred from the Vendor to the Target (a wholly-owned subsidiary of the Vendor) at US\$2 million. The Vendor has explained to the Company that the transfer of the Distribution Rights was an internal restructuring exercise undertaken so as to eliminate the need to deal with or work through the Vendor, as the business activities relating to the Distribution Rights would be undertaken only by the Target (and its subsidiaries) and not the Vendor. The Company notes that the US\$2 million Transfer Fee was settled by way of the issuance of 2,904,600 consideration shares in the capital of the Target to the Vendor.
- (4) **Valuation of Target Group vs Distribution Rights.** The Independent Directors also acknowledge that the valuation of the Target Group (as a business) and the valuation of

LETTER TO SHAREHOLDERS

the Distribution Rights (in itself only) will not necessarily be the same. In the case of the Proposed Acquisition, the subject matter is the entire Target Group (as a business, including the Distribution Rights) rather than the Distribution Rights only. As a result, the focus of the Consideration under the Sale and Purchase Agreement is on the valuation of the Target Group as a whole. It should be noted that the Sale and Purchase Agreement has, among other things, provided as a condition precedent that the Target shall have a NAV of not less than S\$5,000,000. Similar to how the Target's NAV is different from and does not equate to the Consideration payable for 100% of the total issued share capital of the Target, the Transfer Fee and the Consideration should also be seen as separate values.

- (5) **Consideration formula.** As disclosed in Section 3.1.3 of the Circular, the Consideration of S\$16,965,000 (arrived at based on a formula using the valuations of both valuers as inputs) is based on applying a discount to the average valuation of the Target Group derived by (1) Savills and (2) Cushman & Wakefield, exercising their professional independent judgment. Independent valuations were performed based on, among other things, the business track record achieved by the Target Group as of the Valuation Date, the future earning potential of the Distribution Rights, the Target's capability to produce cashflow, the Target's business strategy, the operating characteristics of the Target and prevailing market conditions. The Consideration therefore takes into account a broad range of factors, beyond just the value of the Distribution Rights.
- (6) **Development of Target Group business.** The Independent Directors observed that since the Target received the Distribution Rights from the Vendor in 2018, the Target has taken active steps to develop the Target Group's business by obtaining various licences and permits and establishing distribution channels. Further, the Target's subsidiaries in Hong Kong, Australia, USA and Singapore were only incorporated in 2019 and 2020. Please see Section 2.1 of the Circular for an overview of the Target Group's business. The US\$2 million value attached to the Distribution Rights based on an internal restructuring exercise between the Vendor and the Target carried out in 2018 thus should not be compared with the S\$20 million Consideration payable in respect of the Proposed Acquisition, which takes into account the Target Group's business as a whole.

3.1.4. Balance Consideration

(a) Conditions

The Balance Consideration is conditional upon the satisfaction (or waiver by the Company in its sole discretion) of (i) Completion taking place and (ii) the Distribution Rights held by the Target being valid and subsisting.

(b) Payment Terms

The Balance Consideration (if any) shall be payable only upon the satisfaction of the profit target(s) set out in the table below. In the event none of the profit targets in the table below are satisfied, the Balance Consideration shall not be payable by the Company.

For the avoidance of doubt, the Company shall not be required to pay more than 100% of the Balance Consideration.

The applicable Balance Consideration shall be payable within seven (7) Business Days

LETTER TO SHAREHOLDERS

after the release date of the Target Group Audited Accounts for the corresponding financial year (or such other later date as the Vendor and the Company may agree in writing).

Profit Target	Percentage of Balance Consideration Payable	Amount of Balance Consideration Payable
(i) The Target Group recording an Adjusted PBT for FY22 of <u>at least S\$2,000,000</u> (but less than S\$6,000,000) based on the Target Group Audited Accounts for FY22 (“ FY22 Base Target ”)	40% of Balance Consideration	S\$1,986,000
(ii) The Target Group recording an Adjusted PBT for FY23 of <u>at least S\$4,000,000</u> based on the Target Group Audited Accounts for FY23 (“ FY23 Target ”)	60% of Balance Consideration	S\$2,979,000
(iii) The Target Group recording an Adjusted PBT for FY22 of <u>at least S\$6,000,000</u> based on the Target Group Audited Accounts for FY22 (“ FY22 Target ”)	100% of Balance Consideration	S\$4,965,000
(iv) In the event: (1) the FY22 Base Target and FY22 Target are not satisfied; <u>and</u> (2) the Target Group records an Adjusted PBT for FY23 of <u>at least S\$6,000,000</u> based on the Target Group Audited Accounts for FY23.	100% of Balance Consideration, provided that no payment has been made under Section 3.1.4(b)(i) or 3.1.4(b)(iii)	S\$4,965,000

The Company will make the relevant announcement(s) on SGXNet on whether the relevant profit target(s) stated in the table above are met, and whether and how much of the Balance Consideration is payable by the Company, as and when appropriate.

3.1.5. Basis of Consideration

The methodology for determining the Consideration (including the maximum Consideration and payment terms) under the Sale and Purchase Agreement was arrived at after arm’s length negotiations between the Company and the Vendor and agreed on a willing-buyer and willing-seller basis after taking into consideration, *inter alia*, the following factors:

- (a) the prospects and future business plans of the Target Group;

LETTER TO SHAREHOLDERS

- (b) the strength of the Moutai Bulao brand in the liquor industry;
- (c) the draft Company Valuation Report provided to the Company before signing of the Sale and Purchase Agreement; and
- (d) the audited financial results of the Target Group for the financial period from 6 December 2018 (being the date of incorporation of the Target) to 31 December 2019.

Please refer to Section 3.1.3 for further details on the method for determining the Consideration payable.

3.1.6. Deposit

The Company shall pay the Vendor a refundable cash deposit (“**Deposit**”) of S\$600,000, within seven (7) Business Days from the date of the Sale and Purchase Agreement. The Deposit shall be used by the Vendor solely for the purpose of purchasing inventory for the business of the Target. On Completion, the Deposit shall be set-off against the First Tranche Consideration payable by the Company to the Vendor. The Deposit shall be fully refunded by the Vendor to the Company within seven (7) Business Days from the date of termination of the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Deposit has been paid by the Company to the Vendor.

3.1.7. Long-Stop Date

Subject to the terms of the Sale and Purchase Agreement, the Company and the Vendor shall each be entitled to terminate the Sale and Purchase Agreement at any time on or prior to 30 June 2022, in the event, *inter alia*, any of the Conditions Precedent is or is reasonably likely to become incapable of satisfaction and such Condition Precedent has not been waived by the Long-Stop Date.

Upon termination of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall cease to have any force and effect (other than the surviving provisions under the Sale and Purchase Agreement) and neither the Company nor the Vendor shall have any claim against the other Party under the Sale and Purchase Agreement, except for any claim arising from any breaches by such other Party of the Sale and Purchase Agreement on or prior to the date of such termination.

In addition, the Vendor shall fully refund the Deposit to the Company within seven (7) Business Days of such termination of the Sale and Purchase Agreement.

3.2. Option

3.2.1. Grant of Option

The Vendor has granted to the Company the right (but not the obligation) to require the Vendor to purchase from the Company the entire issued shares of the Target (“**Option Shares**”) at the Option Consideration (as described in Section 3.2.2), on the terms and subject to the conditions of the Sale and Purchase Agreement (“**Option**”).

LETTER TO SHAREHOLDERS

3.2.2. Key Terms

(a) Option Trigger Event	<p>The Company shall have the right to exercise the Option if any of the following events occur:</p> <p>(i) Option Trigger Event 1. The Target Group does not satisfy the FY23 Target;</p> <p>(ii) Option Trigger Event 2. The Target Group does not record an accumulated Adjusted PBT for FY23, FY24 and FY25 of at least S\$8,000,000 based on the corresponding audited financial statements of the Target Group ("FY23-FY25 Target");</p> <p>(iii) Option Trigger Event 3. Both of the following occur:</p> <p style="padding-left: 40px;">(1) the Target no longer has the Distribution Rights for any reason whatsoever (except due to expiry of the Distribution Rights) ("Distribution Rights Termination"); and</p> <p style="padding-left: 40px;">(2) as at the date of the Distribution Rights Termination, the cumulative Adjusted PBT of the Target Group ("Target Cumulative APBT") is less than the AEI Consideration Payment (as defined below).</p> <p style="padding-left: 40px;">For the avoidance of doubt, Option Trigger Event 3 will not occur if the Target Cumulative APBT as at the date of the Distribution Rights Termination is equal to or more than the AEI Consideration Payment.</p>
(b) Option Exercise Period	<p>The Company may exercise the Option in respect of all (and not some only) of the Option Shares by delivering a written notice ("Option Exercise Notice") to the Vendor at any time from the relevant Option Trigger Date (as defined below) ("Option Exercise Period").</p> <p>The "Option Trigger Date" shall mean:</p> <p>(i) in respect of Option Trigger Event 1, the release date of the Target Group Audited Accounts for FY23;</p> <p>(ii) in respect of Option Trigger Event 2, the release date of the Target Group Audited Accounts for FY25; or</p> <p>(iii) in respect of Option Trigger Event 3, the date of the Distribution Rights Termination.</p>
(c) Option Consideration	<p>Unless otherwise agreed by the Company and the Vendor, the Option Consideration shall be determined as follows:</p> <p style="text-align: center;">Option Consideration = C + E – D</p> <p>Where:</p>

LETTER TO SHAREHOLDERS

	<p>“C” means the actual Consideration paid by the Company to the Vendor for the acquisition of the Target Group (“AEI Consideration Payment”);</p> <p>“E” means the aggregate subscription amount of any shares in the Target Group subscribed for by the Company from the Completion Date up to the Option Completion Date (both dates inclusive), if any; and</p> <p>“D” means the aggregate dividends paid by the Target Group to the Company from the Completion Date up to the Option Completion Date (both dates inclusive); and</p> <p>“Option Completion Date” means the date of completion of the sale and purchase of the Option Shares pursuant to the Option, being a date falling no later than six (6) months from the date of the Option Exercise Notice.</p>
(d) Exercise of Option	<p>Upon exercise of the Option:</p> <p>(i) the Company shall be bound to sell; and</p> <p>(ii) the Vendor shall be bound to purchase,</p> <p>all (and not some only) of the Option Shares at the Option Consideration on the Option Completion Date on an as-is-where-is basis, subject to applicable laws and the Listing Manual.</p> <p>In addition, all outstanding loans or debts owing by the Target Group to the Company shall be fully repaid on the Option Completion Date.</p>

3.2.3. Option Trigger Event 3 – Substitute Business

- (a) In the event Option Trigger Event 3 occurs, the Company shall have the right to agree to purchase a business (“**Substitute Business**”) that is a reasonable substitute to the existing business of the Target Group (subject to applicable listing rules of the SGX-ST), such Substitute Business to be procured by the Vendor for sale to the Company.

In the event the situation arises, the Board (with any conflicted Directors abstaining) will decide whether to purchase the Substitute Business.

- (b) The sale and purchase of the Substitute Business (“**Substitute Business Acquisition**”) shall be on such terms and conditions to be agreed between the Company and the Vendor, such key terms and conditions to include the following:
- (i) a nominal consideration shall be payable by the Company in connection with the Substitute Business Acquisition; and
 - (ii) the Company shall not be required to pay any costs or expenses in relation to

LETTER TO SHAREHOLDERS

the Substitute Business Acquisition and transactions in connection therewith.

- (c) The Company's right to exercise the Option (such right arising due to Option Trigger Event 3) shall expire upon completion of the Substitute Business Acquisition. The time period for completion of the Substitute Business Acquisition will be set out in a separate definitive agreement with respect to the Substitute Business Acquisition.

For the avoidance of doubt, there is no fixed time period for the Vendor to offer the Substitute Business to the Company under the Sale and Purchase Agreement.

3.2.4. Approvals and Announcements relating to the Option

The Audit Committee will decide whether to exercise the Option.

The Company will not seek Shareholders' approval in relation to the Audit Committee's decision on whether or not to exercise the Option. In the event the Audit Committee decides that the Company shall exercise the Option, the Company will seek Shareholders' approval as necessary under the listing rules of the SGX-ST, for example if the relative figures computed under Rule 1006 of the Listing Manual exceed the relative thresholds.

The Company will make further announcement(s) on SGXNet when any of the Option Trigger Events materialise, including whether the Company will be exercising the Option and the bases of such assessment. The Company will seek Shareholders' approval as necessary in compliance with the applicable listing rules of the SGX-ST.

3.3. Conditions Precedent

Completion of the Proposed Acquisition is conditional upon, *inter alia*, the following key conditions precedent ("**Conditions Precedent**") having been satisfied, fulfilled or waived, as relevant, in accordance with the terms of the Sale and Purchase Agreement on or before the Long-Stop Date:

(a) Due diligence

The Company being satisfied with its due diligence investigations⁴ into the financial, accounting, legal, tax and business of the Target Group, including being satisfied that the Vendor is the legal and beneficial owner of the Sale Shares, the Sale Shares are free of encumbrances on Completion, and the Target owns the Distribution Rights.

(b) Net Asset Value

⁴ The Company has engaged legal counsel in Singapore, Hong Kong, USA and Australia to perform legal due diligence on the Target Group Companies. The Company has also requested for a full audit to be performed on the Target Group and the Target has accordingly provided the Company the audited financial statements of the Target Group for the financial years ended 2019 and 2020 and the unaudited financial statements of the Target Group for the financial year ended 2021 (being the most recent financial year). The audit of the Target Group was performed by RSM Chio Lim LLP.

LETTER TO SHAREHOLDERS

The net asset value of the Target being not less than S\$5,000,000. Pursuant to the Sale and Purchase Agreement, this Condition Precedent is waivable by the Company in its discretion. In the event the Company elects not to waive this Condition Precedent, the Company shall be entitled to terminate the Sale and Purchase Agreement.⁵

(c) Deed of Novation

The Target entering into the Deed of Novation (in such form and substance satisfactory to the Company) with Dongying Circle International Trade Co., Ltd. ("**Dongying**") and the Vendor, pursuant to which the Vendor shall novate its Distribution Rights to the Target and upon the entry into the Deed of Novation, the Vendor shall not have any interests in the Distribution Rights.⁶

(d) Mr Sun Matters

(i) Mr Sun entering into a service agreement ("**Service Agreement**") with the Company, pursuant to which Mr Sun shall hold the position of chief executive officer ("**CEO**") of the Company for a minimum period of five (5) years from the Completion Date, subject to renewal at the option of the Company, and such Service Agreement to contain provisions on non-competition, non-solicitation, declaration of conflicts of interest, and such other terms customary in service agreements for an officer of Mr Sun's power, position and capacity in the Company.

(ii) Mr Sun undertaking to be a director on the board of the Company for such period for which the Distribution Rights are valid and subsisting, in the event Mr Sun steps down as CEO of the Company.

(iii) Within five (5) Business Days of the Sale and Purchase Agreement and in any case no later than payment of the Deposit, Mr Sun entering into a deed of guarantee ("**Deed of Guarantee**") (in such form and substance satisfactory to the Company) in favour of the Company to guarantee the performance of the Vendor's obligations, commitments, undertakings, warranties, indemnities and liabilities in the Sale and Purchase Agreement.⁷

(e) No Illegality

No relevant authority or person taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:

⁵ As at the Latest Practicable Date, the net asset value of the Target is S\$5,865,818.

⁶ As at the Latest Practicable Date, the Deed of Novation has been entered into.

⁷ As at the Latest Practicable Date, the Deed of Guarantee has been entered into.

LETTER TO SHAREHOLDERS

- (i) make the transactions contemplated in the Sale and Purchase Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, delay, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
- (ii) render the Company unable to purchase the entire Sale Shares in the manner set out in the Sale and Purchase Agreement.

(f) No Winding-Up

No order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of any Target Group Company, or for the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of any Target Group Company or any part of its property, assets and/or undertaking.

(g) No Prohibitions

There being no order, writ, judgment, injunction, temporary restraining order, decree, stipulation, determination or award entered by or with any governmental authority in existence that prohibits or materially restrains the consummation of the Proposed Acquisition which remains in force and effect as at the Completion Date, or proceeding brought by any governmental authority pending before any court of competent jurisdiction seeking such order which remains outstanding as at the Completion Date.

(h) Licences

The Target Group having obtained and at all times materially complied with all material licences, permissions, authorisations and consents required for carrying on its business effectively in the places and in the manner in which such business is carried on, and such material licences, permissions, authorisations and consents not having been revoked on or before the Completion Date.

(i) No Material Adverse Change

No material adverse change (as determined by the Company in its reasonable discretion) in the business, assets, profits, prospects, operations, conditions (financial, trading or otherwise) of the Target Group having occurred between the date of the Sale and Purchase Agreement and the Completion Date, both dates inclusive.

(j) Regulatory Approvals

All necessary material approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licences, orders, permissions, recognitions and waivers as may be required or appropriate for or in connection with the acquisition of the Sale Shares on the terms set out in the Sale and Purchase Agreement, from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange, tribunal or entity in any jurisdiction having been obtained and not withdrawn or revoked. Where relevant consents, approvals and waivers are obtained, such consents, approvals and waivers not having been amended or revoked on or before the

LETTER TO SHAREHOLDERS

Completion Date, and to the extent that such consents, approvals and waivers are subject to any conditions required to be fulfilled on or before the Completion Date, all such conditions having been duly so fulfilled.

(k) Shareholders' Approval

The specific approval of the Shareholders at the extraordinary general meeting ("**EGM**") of the Company to approve the Proposed Acquisition and such other resolutions in connection therewith.

(l) Undertakings and Warranties

- (i) All the undertakings of the Vendor and the Company set out in the Sale and Purchase Agreement, as the case may be, which are required to be complied with and performed on or prior to the Completion Date having been complied with and performed in all material respects.
- (ii) All the warranties of the Vendor and the Company set out in the Sale and Purchase Agreement, as the case may be, being true and accurate in all material respects as at the date of the Sale and Purchase Agreement and the Completion Date.

3.4. **Undertakings and Warranties**

Each of the Company and the Vendor have provided such undertakings and warranties as are customary for transactions of this nature or other similar transactions.

In addition, subject to applicable laws and requirements under the Listing Manual, the Company has agreed that each key management personnel ("**Target Key Management**") of the business of the Target Group shall be eligible to participate in the Company's performance share plan ("**PSP**") on such terms and conditions as may be determined by the Company in accordance with applicable rules and regulations (including but not limited to those stipulated in the Listing Manual) and the following key terms:

- (a) the Target Key Management shall not receive more than 5,000,000 Shares ("**Performance Shares**") under the PSP, subject to such necessary adjustments in the number of Performance Shares in the event of any consolidation or subdivision of the Shares;
- (b) the Performance Shares shall be granted to Target Key Management in accordance with the terms of issue under the PSP scheme;
- (c) the PSP shall continue to be in force for a period of ten (10) years commencing on the Completion Date;
- (d) the PSP, including its terms and conditions, shall be administered by the Company's remuneration committee in its absolute discretion;
- (e) the grant of the Performance Shares to Target Key Management shall be subject to performance targets (to be determined by the Company's remuneration committee) being fulfilled; and

LETTER TO SHAREHOLDERS

- (f) the aggregate value of the Performance Shares for each financial year, based on the prevailing trading price of the Shares, shall not exceed 20% of the Adjusted PBT of the Target Group for that financial year.

3.5. Indemnity

The Vendor has undertaken to fully indemnify the Company against all losses which may be suffered or incurred by or made against the Company, its respective officers, directors, employees or agents (the “**Indemnified Parties**”) as a result of or in connection with, *inter alia*, any breach of representations, warranties and undertakings by the Vendor contained in the Sale and Purchase Agreement.

The aforesaid indemnity extends to include all costs (including all legal costs), taxes, charges and expenses which the Indemnified Parties may pay or incur in disputing or defending any claim or action or other proceedings in respect of which indemnity may be sought against the Vendor.

3.6. Guarantee

As a condition precedent under the Sale and Purchase Agreement, Mr Sun (the “**Guarantor**”) had on 5 January 2021 entered into the Deed of Guarantee in favour of the Company as continuing security for the due and punctual performance and discharge of all present and future obligations, commitments, undertakings, warranties, indemnities and liabilities of the Vendor under the Sale and Purchase Agreement (“**Secured Obligations**”).

Under the Deed of Guarantee, the Guarantor, *inter alia*, unconditionally and irrevocably, as principal obligor:

- (a) guarantees to the Company punctual performance and observance by the Vendor of the Secured Obligations; and
- (b) undertakes with the Company that if the Vendor defaults for any reason whatsoever in the performance of any of the Secured Obligations, the Guarantor shall forthwith on written demand by the Company to the Guarantor, unconditionally perform and satisfy the Secured Obligations as if the Guarantor instead of the Vendor was expressed to be the principal obligor, in such manner so that the same benefits shall be conferred on the Company as it would have received if the Secured Obligations had been duly performed and satisfied by the Vendor.

In the event the Company exercises the Option as described in Section 3.2 of the Circular, the Secured Obligations will also extend to the obligation of the Vendor to purchase all (and not some only) of the Option Shares. The Guarantor acknowledges that in the event the Vendor fails to fulfil its obligations under the Option, the Guarantor shall perform and satisfy the Vendor’s obligation to purchase all (and not some only) of the Option Shares.

3.7. Completion

Subject to the Conditions Precedent being satisfied, fulfilled or waived (as the case may be), completion of the Proposed Acquisition shall take place on a date falling no later than seven (7) Business Days after the later of the satisfaction or waiver of the Conditions Precedent (or such other date as the Company and Vendor may agree in writing) (“**Completion Date**”).

LETTER TO SHAREHOLDERS

3.8. Rationale for the Proposed Acquisition

Faced with extremely challenging operating conditions in its existing aluminium extrusion business in recent years, such as competitive pricing, the rising costs of raw materials and thin margins, the Company has been reviewing potential diversification projects to enhance the Group's growth and profitability. A summary of the projects that were considered by the Company is set out in Section 8.1 of this Circular. As no progress had been made in respect of the proposed collaboration with Zhongneng International Gas Co., Ltd. (as announced by the Company on 17 June 2019) and the Board was made aware that the Vendor had been granted the worldwide (excluding Mainland China) Distribution Rights to the Products, the Proposed Acquisition was therefore discussed by the Board.

The Proposed Acquisition presents an opportunity for the Company to acquire a business with a global distribution right (excluding Mainland China) of one of the world's most valuable spirits brands.⁸ In addition, the Target Group also intends to build a digital platform that will enable it to adopt a data-driven approach to optimise the purchase, advertising, sales and distribution of the Products and other liquors or alcoholic beverages. The Company believes that the Target Group will be able to build and establish a sizeable distribution network by leveraging on the demand and marketability of Moutai Bulao. The knowhow and distribution network can then be tapped by the Group to promote and distribute other food and beverage products, whether produced by the Group or supplied by third parties. The Proposed Acquisition is in line with the Company's strategic plans to diversify into businesses that would potentially increase the Group's revenue and profitability, thereby bringing additional value to the Company and its Shareholders.

Pursuant to the Deed of Guarantee, Mr Sun has provided a personal guarantee in favour of the Company, guaranteeing the due and punctual performance and discharge of all the Vendor's present and future obligations, commitments, undertakings, warranties, indemnities and liabilities in the Sale and Purchase Agreement (including in relation to the Option). Mr Sun has also confirmed to the Company that he is a substantial shareholder of several other SGX-listed companies. Please see Section 2.6 of the Circular for further information on Mr Sun's relationship with CCIAM. Mr Sun has confirmed that, as at the Latest Practicable Date:

- (a) Mr Sun indirectly holds 100% shareholding interest in CCIAM, which is the investment manager of MGF (a substantial shareholder of the Company);
- (b) Mr Sun has an indirect interest in 10,250,000 Shares in the Company through MTBL Global Holdings Pte. Ltd. ("**MTBLGH**")⁹ (a wholly-owned subsidiary of Mr Sun); and
- (c) Mr Sun indirectly holds 100% shareholding interest in China Capital Impetus Investment Limited, which is the investment manager of Oriental Straits Fund III. Oriental Straits Fund III holds 4,872,568,256 ordinary shares in The Place Holdings Limited, a company whose shares are listed on the Mainboard of the SGX-ST.

⁸ Alcoholic Drinks 2021: The annual report on the most valuable and strongest alcoholic drinks brands issued by Brand Finance in June 2021. Brand Finance is the world's leading independent brand valuation and strategy consultancy headquartered in London, United Kingdom.

⁹ For the avoidance of doubt, MTBL Global Holdings Pte. Ltd. is not part of the Target Group.

LETTER TO SHAREHOLDERS

Therefore, the Company believes that Mr Sun is financially capable of procuring the performance of the Vendor's obligations under the Sale and Purchase Agreement. Given that Mr Sun is the ultimate beneficial owner of the Vendor, the Board is also satisfied that the Vendor has the ability to perform its obligations under the Sale and Purchase Agreement.

3.9. Source of Funds

The Proposed Acquisition will be funded by the Company's internal resources.

3.10. Directors' Service Agreement(s)

It is a condition precedent under the Sale and Purchase Agreement that Mr Sun enters into a service agreement with the Company, pursuant to which Mr Sun shall hold the position of CEO of the Company for a minimum period of five (5) years from the Completion Date. Following the completion of such 5-year term, in the event Mr Sun steps down from the position of CEO of the Company, he shall remain as a Director of the Company for such period for which the Distribution Rights remain valid and subsisting. Please see Section 3.3(d) of the Circular for further information.

Save for the above, no person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly, no other service contract is proposed to be entered into between the Company and any such person.

3.11. The Board's Assessment of safeguards in relation to the Proposed Acquisition

The previous Independent Directors¹⁰ had, after numerous internal deliberations and negotiations with the Vendor, decided to include the following provisions in the Sale and Purchase Agreement to safeguard the interests of the Company and its shareholders:

- (a) **Independent Valuations and cap on Consideration.** The Consideration payable will be subject to a 10% discount to the average of the valuation of 100% equity interest in the capital of the Target Group derived by two (2) independent valuers and is subject to an overall cap of S\$20,000,000.
- (b) **Consideration payable in 2 tranches.** The Consideration will be payable in two (2) tranches. The first tranche (i.e. the First Tranche Consideration) of S\$12,000,000 is payable on Completion. However, the second tranche (i.e. the Balance Consideration) is payable subject to the satisfaction of certain profit targets.
- (c) **Balance Consideration subject to performance targets.** Payment of the Balance Consideration is subject to the satisfaction of certain profit targets for FY2022 and FY2023. Please see Section 3.1.4(b) of the Circular for further information. In the event

¹⁰ The Independent Directors of the Company as at 31 December 2020 (being the date of the Sale and Purchase Agreement), comprised Mr Teng Cheong Kwee ("**Mr Teng**"), Dr Vasoo Sushilan ("**Dr Sushilan**") and Mr Yeung Koon Sang alias David Yeung ("**Mr Yeung**"). Dr Sushilan and Mr Yeung retired on 28 April 2021, while Mr Teng ceased being a Director on 1 January 2022. As at the Latest Practicable Date, the Independent Directors of the Company comprise Dr. Tan Khee Giap, Mr. Siow Chee Keong and Mr. Chua Wei Ming.

LETTER TO SHAREHOLDERS

the stipulated profit targets are not met, the specified amount of Balance Consideration would not be payable.

- (d) **Option to sell Target; Guarantee.** In the event of certain specified events happening, such as the Target Group's failure to meet the stipulated profit targets or termination of the Distribution Rights before its expiry date, the Company has the right but not the obligation to require the Vendor to buy back the entire issued shares of the Target from the Purchaser, on the terms set out in the Sale and Purchase Agreement. Please see Section 3.2.2(a) of the Circular for further details on the Option Trigger Events. As a further safeguard, the Company has required the Vendor to provide a guarantee in favour of the Company to guarantee the performance of the Vendor's obligations, commitments, undertakings, warranties, indemnities and liabilities in the Sale and Purchase Agreement.

These provisions are intended to mitigate the potential risks and uncertainties in relation to the Proposed Acquisition and to protect the interests of the Company and its Shareholders.

Further, the existing Independent Directors wish to note that as the Proposed Acquisition constitutes an interested person transaction, there is an additional safeguard being the requirement of an independent financial advisor expressing an opinion on the transaction. Stirling Coleman Capital Limited, the appointed IFA, is of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The Company has also identified Mr Sun as a key person to drive the performance and growth of the Target Group. As such, it is a condition precedent under the Sale and Purchase Agreement that Mr Sun enters into a Service Agreement to hold the position of CEO of the Company for a minimum period of five (5) years from the Completion Date.

Further, it is a condition precedent under the Sale and Purchase Agreement that Mr Sun provide a personal guarantee to guarantee the due and punctual performance and discharge of all present and future obligations, commitments, undertakings, warranties, indemnities and liabilities of the Vendor under the Sale and Purchase Agreement. In the event the Company exercises the Option as described in Section 3.2 of the Circular, the guarantee provided by Mr Sun will also extend to the obligation of the Vendor to purchase all (and not some only) of the Option Shares.

4. VALUATION REPORTS

4.1. Company and Vendor Valuation Reports

Two (2) valuations of 100% equity interest in the capital of the Target Group were conducted, consisting of:

- (a) one (1) valuation conducted by Cushman & Wakefield VHS Pte. Ltd. ("**Company's Appointed Valuer**"), being the appointed valuer of the Company; and
- (b) one (1) valuation conducted by Savills Valuation and Professional Services (S) Pte. Ltd. ("**Vendor's Appointed Valuer**"), being the appointed valuer of the Vendor.

The effective date of both Valuation Reports is 30 September 2021 ("**Valuation Date**").

LETTER TO SHAREHOLDERS

4.2. Valuation Bases and Assumptions

As stated in Section 3.1.3 of this Circular, it is a requirement under the Sale and Purchase Agreement that each valuation report shall be on substantially similar bases and assumptions.

For the purposes of ensuring the Valuation Reports satisfy this requirement, the Vendor and the Target Group have confirmed to the Company that they have provided the Company's Appointed Valuer and the Vendor's Appointed Valuer the same information and documents relating to the Target Group, including but not limited to financial statements, financial projections, business plans and the underlying assumptions and bases thereof ("**Target Group Base Information**"). For the avoidance of doubt, the Company's Appointed Valuer and the Vendor's Appointed Valuer were both instructed to conduct a valuation of 100% equity interest in the capital of the Target Group as at the Valuation Date, and each had full discretion to exercise their independent judgment in the conduct of the valuation.

In arriving at their respective valuations, each valuer exercised their independent judgment and took different approaches towards determining the market value of 100% equity interest in the capital of the Target Group as at the Valuation Date, including *inter alia* the following key differences:

- (a) the Company's Appointed Valuer has explained that:
 - (i) it assessed the valuation based on the business plan in the countries/regions, namely Singapore, Hong Kong, Macau, USA, Australia, Cambodia, Laos and Thailand, which the Target Group had made progress as at the Valuation Date such as, *inter alia*, setting up subsidiaries in USA, Hong Kong, Singapore and Australia, and signed distributorship agreements/memorandum of understanding in Hong Kong & Macau, USA, Cambodia, Laos and Thailand; and
 - (ii) it assessed the valuation on the basis of the existing Distribution Rights only, which will expire on 31 December 2027. As the Distribution Rights would be expiring as at 31 December 2027 and the Target Group had not been meeting the sales target indicated in the Distribution Agreement for the period between FY2019 and FY2020, the Company's Appointed Valuer has ascertained the terminal value based on the present value of the net working capital of the Target Group as at 31 December 2027;
- (b) the Vendor's Appointed Valuer has explained that:
 - (i) it assumed that the Distribution Rights will be renewed at the end of the contractual period and the business of the Target Group would continue into perpetuity, on the following bases:
 - (1) the Vendor's Appointed Valuer understands that the Target Group's management has built a business relationship with the supplier and is confident of renewing the Distribution Rights when the Distribution Rights end in 2027;
 - (2) with the Target Group's management's forecast revenue of about S\$400 million by 2027, the Vendor's Appointed Valuer finds it reasonable to expect that the Distribution Rights will be renewed by both parties on commercial grounds;

LETTER TO SHAREHOLDERS

- (3) as of the Valuation Date, the Vendor's Appointed Valuer is not aware of any evidence showing that the Distribution Rights cannot be renewed; and
 - (4) the Vendor's Appointed Valuer has noted the risk that the existing Distribution Rights may not be renewed, and has considered this risk (among other risk factors) by estimating the high discount rate for the valuation of the Target Group; and
- (ii) it accepted the representations of the Vendor and the Target Group, and have accordingly assumed in their valuation that the Target Group does not need to incur additional costs to renew the exclusive Distribution Rights to sell the Products worldwide (excluding in Mainland China) when the Distribution Rights expire on 31 December 2027.

In summary, the two key differences between the Company Valuation Report and the Vendor Valuation Report are as follows:

- A. The Vendor's Appointed Valuer assumed that the Target Group will operate perpetually, while the Company's Appointed Valuer assumed that the Target Group will operate only up to 31 December 2027, based on the tenure of the Distribution Rights. As the Distribution Rights would be expiring as at 31 December 2027 and the Target Group had not been meeting the sales target indicated in the Distribution Agreement for the period between FY2019 to FY2020, the Company's Appointed Valuer has ascertained the terminal value based on the present value of the net working capital of the Target Group as at 31 December 2027; and
- B. The Vendor's Appointed Valuer reviewed the Target Group's management's responses to its queries and performed its own analysis on the financial projections provided by the Target Group's management, and applied a probability of achievement assumption on the forecast free cash flows and high discount rate based on its judgment, while the Company's Appointed Valuer excluded financial projections from the business segments/markets that did not have concrete supporting documents and/or sustainable historical numbers to support the assumptions provided by the Target Group's management as at the Valuation Date of the Company Valuation Report.

Vendor's Appointed Valuer's Views in respect of renewal of Distribution Rights

The Vendor's Appointed Valuer is of the view that it is reasonable for market participants to expect businesses to continue into perpetuity. Even though the contractual period stipulated on the Target's Distribution Rights is until 31 December 2027, it assumed that the Distribution Rights will be renewed at the end of the contractual period and the business of the Target Group would continue into perpetuity, on the following bases:

- (a) the Vendor's Appointed Valuer understands that the Target's management has built a business relationship with the supplier and is confident of renewing the Distribution Rights when the Distribution Rights end in 2027;
- (b) with the Target management's forecast revenue of about S\$400 million by 2027, the Vendor's Appointed Valuer is of the opinion that it is reasonable to expect that the Distribution Rights will be renewed by both parties on commercial grounds;

LETTER TO SHAREHOLDERS

- (c) as of the Valuation Date, the Vendor's Appointed Valuer is not aware of any evidence showing that the Distribution Rights cannot be renewed; and
- (d) the Vendor's Appointed Valuer recognises the risk that the existing Distribution Rights may not be renewed, and has addressed this risk (among other risk factors) by estimating the high discount rate for the valuation of the Target.

The Vendor's Appointed Valuer further clarified that based on its discussions with the Target's management, Mr Sun Quan, the Executive Director of the Vendor (the holding company of the Target), is well connected and has built a good business relationship with the supplier. The Vendor's Appointed Valuer is therefore of the view that this is reasonable as the Target would otherwise be unlikely to win the Distribution Rights, if not for this good business relationship that is already established with the supplier. Further, the Vendor's Appointed Valuer was not aware of evidence that supports the impossibility of renewal. As such, it did not adopt a financial forecast of only 6.25 years (without terminal year) because that would imply that the probability of renewal is 0%. The Vendor's Appointed Valuer further clarified that although it adopted a terminal year in the forecast, this does not imply that the probability of renewal is 100%.

The Vendor's Appointed Valuer addressed the risk of non-renewal of the Distribution Rights (among other risk factors) by adopting a high discount rate for the valuation of the Target. The Vendor's Appointed Valuer estimated a discount rate of 34% to 36%. In estimating the discount rate, the Vendor's Appointed Valuer considered, *inter alia*, that:

- (i) the Target appears to be at least in the second stage of expansion, which would typically command rates of return in the range of 20%-50% based on a valuation reference guide published by the American Institute of Certified Public Accountants (AICPA);
- (ii) the Target is subject to significant key person risk, as its success relies heavily on Mr Sun Quan;
- (iii) the Target is subject to going concern risk, as renewal of the current Distribution Rights (which is expiring in 2027) is not guaranteed;
- (iv) the Target is subject to operational risk to achieve its forecast revenue and this depends on its ability to be nimble and fast scaling in its business operations. The Target does not seem to be able to meet its projections for 2021. Nevertheless, this risk is accounted for based on the application of a probability of achievement assumption by the Vendor's Appointed Valuer;
- (v) the Target is subject to economic risk, as it is operating under the ongoing recovering COVID-19 pandemic environment. However, compared to 31 December 2020, vaccination rates are much higher as of the Valuation Date, and the likelihood of the resumption of international travel and social gathering looks more promising than before;
- (vi) Nevertheless, Moutai Bulao 125 ml is produced by a renowned and established baijiu producer, Kweichow Moutai. The Target may leverage on the strong brand name of Kweichow Moutai for its sale of Moutai Bulao 125 ml; and
- (vii) As of the Valuation Date, the Target has already signed certain key agreements and memorandum of understandings, including the following:
 - Hive Box to supply vending machines;
 - Distributor agreements with local distributors in Laos, Cambodia and the US Saipan;

LETTER TO SHAREHOLDERS

- Ming Wah (Singapore) Agency Pte Ltd and Trade Risk Solutions Pte Ltd, for marketing, distribution, franchising, shipping and logistics; and
- The Target is near completion with the negotiations and in process of signing partnership agreements with local distributors the US, Hong Kong and Macau.

The Vendor's Appointed Valuer also explained that it performed the following steps:

- (i) reviewed the Target's management's responses to its queries on the financial forecast provided by the Target's management; and
- (ii) performed its own analysis (as documented in the Vendor Valuation Report) on the financial forecast provided by the Target's management, and clarified that, based on its analysis and discussions with the Target's management, the Target's management's adjusted financial forecast provides some degree of reliability for the purpose of the valuation of the Target. The Vendor's Appointed Valuer has noted the risk of not meeting the forecast revenue, applied a probability of achievement assumption, and has considered it (together with other risk factors) in estimating the high discount rate for the valuation of the Target.

The Vendor's Appointed Valuer had considered the terms and conditions in the Distribution Rights in analysing the financial forecast provided by the Target's management. As discussed above, the Vendor's Appointed Valuer noted the risks of non-renewal of the Distribution Rights and not meeting the forecast revenue and considered them (together with other risk factors) in estimating the probability of achievement assumption and high discount rate for the valuation of the Target.

4.3. The Board's Assessment

Valuers' assumptions

The Board noted that the Vendor and the Target Group had confirmed to the Company that they had provided the Company's Appointed Valuer and the Vendor's Appointed Valuer the same Target Group Base Information. Further, the Board noted that the Company's Appointed Valuer and the Vendor's Appointed Valuer were both instructed to conduct a valuation of 100% equity interest in the capital of the Target Group, and that it would be for the valuers themselves to exercise their professional expertise and judgement as to how they should use and apply the information and data for the purpose of arriving at a valuation of the Target Group, including whether they should fully or partially adopt the revenue projections furnished by the Target Group, the assumptions to be made as regards to the discount rate to be applied, as well as the assumption of whether the Distribution Rights would be renewed after its expiry on 31 December 2027.

In addition, the Board noted that the Vendor's Appointed Valuer had taken the view that the Distribution Rights will be renewed at the end of the contractual period. Please see Section 4.2(b)(i) for further information. In respect of the reasonableness of such an assumption, the Board is of the view that if the Target Group is able to establish liquor distribution channels globally, successfully implement its digital platform strategy, and meet the projected sales targets, it would be reasonable to assume that the Target Group will continue to be granted the Distribution Rights. This is because if the projected sales targets are met, this would indicate that Guizhou Moutai's aim of increasing sales of the Products globally outside Mainland China has been achieved through the Target Group's efforts, and thus from a commercial perspective it would be unlikely that Guizhou Moutai would not want to continue to leverage on the liquor

LETTER TO SHAREHOLDERS

distribution channels and digital platform established and operated by the Target Group.

The Board also considered that in making the assumption that the Distribution Rights would be renewed after its expiry on 31 December 2027, the Vendor's Appointed Valuer was exercising its professional judgment on the appropriate bases and assumptions to be applied in carrying out the valuation of 100% equity interest in the capital of the Target Group.

The Board was also advised by its legal counsel ("**Legal Counsel**"), ZICO Insights Law LLC that, subject to certain assumptions and qualifications, the Company Valuation Report and the Vendor Valuation Report would satisfy the requirement under the Sale and Purchase Agreement that the valuation reports shall be on "substantially similar bases and assumptions" (the "**Advice**"). The Advice is subject to, *inter alia*, the following assumptions and qualifications:

- (a) the Company's Appointed Valuer and the Vendor's Appointed Valuer were each instructed to conduct a valuation of 100% equity interest in the capital of the Target Group, and each had full discretion to exercise their independent judgment in the conduct of their respective valuations (including but not limited to, the making of any assumptions, observations or conclusions for the purposes of the valuations); and
- (b) the Company's Appointed Valuer and the Vendor's Appointed Valuer had each received identical Target Group Base Information;
- (c) all Target Group Base Information and clarifications ("**Clarifications**") in relation to the Target Group Base Information received by the Company's Appointed Valuer and the Vendor's Appointed Valuer are reliable, true, complete and accurate in all material respects, and that there is no other information or fact, the omission of which, would cause any Target Group Base Information or Clarification disclosed to be false, inaccurate, incomplete, or misleading in any material respect;
- (d) Legal Counsel has made no investigation or inquiry relating to any Target Group Base Information or Clarifications; and
- (e) Legal Counsel has made no investigation of, and does not express or imply any views on the Company Valuation Report or the Vendor Valuation Report, including each valuer's valuation methods, approaches, analyses and research.

Deliberations on and assessment of the Company Valuation Report

When the proposed business acquisition was presented to the Board in 2020, the previous Independent Directors¹¹ sought to have a proper understanding of the Target Group's business. These include the Products and their sourcing, the target consumers, the historical and potential demand, the marketing and distribution channels to be employed, and the pricing strategy. The previous Independent Directors recognised that this was a product produced by a very established company in China, whose products enjoy high brand recognition both in and

¹¹ The Independent Directors of the Company as at 31 December 2020 (being the date of the Sale and Purchase Agreement), comprised Mr Teng Cheong Kwee ("**Mr Teng**"), Dr Vasoo Sushilan ("**Dr Sushilan**") and Mr Yeung Koon Sang alias David Yeung ("**Mr Yeung**"). Dr Sushilan and Mr Yeung retired on 28 April 2021, while Mr Teng ceased being a Director on 1 January 2022. As at the Latest Practicable Date, the Independent Directors of the Company comprise Dr. Tan Khee Giap, Mr. Siow Chee Keong and Mr. Chua Wei Ming.

LETTER TO SHAREHOLDERS

outside China. As the Company and its previous Independent Directors lacked experience in this industry, the Company with the advice of its Financial Adviser decided that the services of an independent professional valuer would be required. The previous Independent Directors considered that an independent professional valuation firm would be key in assessing the value of the Target Group's business as it would be able to draw on its professional knowledge and experience and conduct the necessary industry, business and financial research and analysis. The previous Independent Directors thus appointed Cushman & Wakefield VHS Pte. Ltd. to assist in assessing the valuation of the Target Group, and emphasised the need to have a valuation report before the Company entered into the Sale and Purchase Agreement.

In the discussions with the Company's Appointed Valuer on its draft valuation reports, the previous Independent Directors had sought various clarifications and explanations, and focused its scrutiny on the reasonableness of the projected sales which were provided by the Target's management, the assumptions made in the report, how reliable and achievable the projected financials used would be, whether the projected sales over the next five (5) years could be realised, the risks and uncertainties relating to achieving the projections and the valuer's expertise and research in the liquor and alcoholic beverage industry. In addition, the specific questions asked included: what were the cogent reasons why consumption of Baijiu outside China has good potential to increase and where the demand is expected to come from, whether the impact of COVID-19 had been fully factored into the analysis, whether the number of bottles/restaurant/day projected to be sold was reasonable and achievable, whether the gross profit margin assumption over the projected period was reasonable, and explanation on the capex on vending machines and how it would be financed. Following these discussions, the Company's Appointed Valuer exercised their independent judgment to assess the valuation of the Target Group. Further detail on the Company's Appointed Valuer's approach is set out in Section 4.2(a) of the Circular.

In March 2020, the Company's Appointed Valuer provided a draft valuation range of between \$20,300,000 to S\$23,400,000, which the previous Independent Directors noted was lower than the draft valuation range of S\$26,400,000 to S\$34,200,000 as indicated in its draft valuation result provided as of the valuation date of 30 November 2019. Following March 2020, due to adverse market conditions as a result of the global COVID-19 pandemic and the imposition of circuit breaker restrictions in Singapore, the discussions on the Proposed Acquisition were put on hold to await better visibility on market developments. Please see Section 3.1.3 of the Circular for more information on the Board's assessment of the draft valuation reports provided by the Company's Appointed Valuer.

Towards late 2020, discussions on the Proposed Acquisition resumed. The discussions with the Vendor centred on the proposed terms of the acquisition. The Parties reached an agreement to fix the purchase consideration at a 10% discount to the average of two (2) valuations (one from the Company's Appointed Valuer and one from the Vendor's Appointed Valuer), subject to a cap of S\$20,000,000. The cap of S\$20,000,000 was decided on with reference to the lower end of the valuation range contained in the Company's Appointed Valuer's latest draft valuation report available at that time. The previous Independent Directors also secured further revisions to the terms of the Sale and Purchase Agreement in terms of the conditions governing the payment of the second tranche (i.e. the Balance Consideration), which is tied to the satisfaction of certain profit targets by the Target Group, and the Company's right to require the Vendor to buy back the Target at the purchase cost under specified circumstances. The Independent Directors considered that these terms and conditions were necessary as additional safeguards for the Company. Please see Section 3.11 of the Circular for further information on the safeguards in relation to the Proposed Acquisition.

LETTER TO SHAREHOLDERS

In its review, the Independent Directors also took into consideration risk factors such as the competitive nature of the industry and the risks involved in engaging in new business segments in new regions, amongst other risks. The Board understands that with all businesses, particularly a relatively new business venture, there would be uncertainties in how business plans would pan out over time. While there are risks and uncertainties associated with entry into a new industry, and given the relatively short operating track record of the Target, there are safeguards in the Sale and Purchase Agreement negotiated to protect the interests of the Company and its shareholders. The Board also noted that both independent professional valuers have taken into account such factors in their respective valuations of 100% equity interest in the capital of the Target Group as at the Valuation Date.

Further, the Board had reviewed the Target Group's business and marketing strategy, the competitive advantage in the pricing model and the expertise of the management team to assure accomplishment of the projections. The Independent Directors also note that the Target Group has a range of business segments through which it expects to generate revenue, including from sales of the Products through smart vending machines placed in restaurants and bars, overseas distributors, supermarkets and stores, cultural centres and advertising income from vending machines.

To reiterate, the Independent Directors (both previous and existing) had numerous discussions with the management team of the Target on its business plans and strategies. In these discussions, the Independent Directors (both previous and existing) have raised queries on many matters, such as how the digital systems would work and how the Target Group's management will achieve the projections. The existing Independent Directors acknowledge that there is demand potential for the Product outside China, and as the economy recovers from the effects of the COVID-19 pandemic, coupled with the growth and establishment of the Target Group's business, the Target Group's profit margins are also likely to improve in tandem.

Having reviewed, among other things, the terms and conditions of the Sale and Purchase Agreement, the Company Valuation Report, the Vendor Valuation Report, the rationale for and the financial effects of the Proposed Acquisition and all other relevant facts set out in this Circular, including the opinion given by the IFA, the existing Independent Directors are supportive of the Proposed Acquisition. The Company has sufficient financial resources to drive the growth of the business and implement the strategy of the Target Group. Further, the Company will inherit the management team of the Target Group that conceptualised the business strategy, conducted the market research and implemented the business plans of the Target Group to-date. The Company is also committed to hiring new employees with experience in the liquor and alcoholic beverage business. A key priority of the Company will be to appoint a post-acquisition integration team to ensure that the Target Group's strategy is implemented swiftly and to minimise any disruption. The Independent Directors also note that the Target Group has already obtained licenses and developed four (4) versions of smart vending machines, both of which are important steps in establishing the infrastructure for a distribution business.

4.4. Valuation

The valuation of 100% equity interest in the Target Group as at the Valuation Date arrived at by both the Company's Appointed Valuer and the Vendor's Appointed Valuer, as well as their valuation methods relied on, are set out below:

Valuer	Market value of 100% equity interest in the Target Group	Valuation method
--------	--	------------------

LETTER TO SHAREHOLDERS

Company's Appointed Valuer	<u>Value Range</u> Low of S\$11,700,000 and high of S\$13,900,000	Discounted Cash Flow Method under the Income Approach with reference made to the Market Approach
Vendor's Appointed Valuer	<u>Value Range</u> Low of S\$23,700,000 and high of S\$26,100,000	Discounted Cash Flow Method under the Income Approach, cross-checked with the Guideline Publicly-traded Comparable Method and Comparable Transactions Method under the Market Approach

For further details on the methodologies and principal assumptions used in arriving at the above valuations in respect of the Target Group, please refer to Appendix 2 to this Circular for a summary of the Company Valuation Report and Appendix 3 to this Circular for a summary of the Vendor Valuation Report.

4.5. Determining the Average Valuation and Consideration

As described in Section 3.1.3 of this Circular, the Consideration is determined by applying a 10% discount to the Average Valuation (the "**Discounted Average Valuation**"), subject to a maximum Consideration of S\$20,000,000.

In the event any valuation is expressed as a range, the valuation taken for the purposes of calculating the Average Valuation shall be the average of the upper limit and lower limit for that valuation. Please see column (2) of the table below for the average of the upper limit and lower limit of the valuation conducted by the Company's Appointed Valuer and the Vendor's Appointed Valuer ("**Relevant Valuation**").

(1)	(2)	(3)	(4)
Valuer	Relevant Valuation – Average of upper limit and lower limit of valuation	Average Valuation	Discounted Average Valuation – 90% of Average Valuation
Company's Appointed Valuer	S\$12,800,000	S\$18,850,000	S\$16,965,000
Vendor's Appointed Valuer	S\$24,900,000		

The Average Valuation is determined by taking the average of the Relevant Valuation. Accordingly, the Average Valuation is S\$18,850,000 (column (3) of the table above) and the Discounted Average Valuation is S\$16,965,000 (column (4) of the table above).

As the Discounted Average Valuation of S\$16,965,000 does not exceed S\$20,000,000, the Consideration for the purposes of the Sale and Purchase Agreement shall be S\$16,965,000.

LETTER TO SHAREHOLDERS

Based on the Consideration of S\$16,965,000, the First Tranche Consideration shall be S\$12,000,000 and the Balance Consideration shall be S\$4,965,000.

4.6. Updates for Financial Year 2021

The management of the Target has provided the update for its financial performance for FY2021. For FY2021, total sales revenue amounted to S\$1,771,244 mainly derived from distribution and wholesale and the sale of Cultural Centre memberships. The unaudited revenue of approximately S\$1,771,244 fell short of the sales forecast for FY2021 by S\$944,357 mainly due to the unforeseen development of the COVID-19 pandemic in Singapore that resulted in restrictions in dining-in and networking events which were crucial in the sale of Cultural Centre memberships.

In addition, with the closures of restaurants and pubs, cancellation of marketing events and border closures between Singapore and many countries, the distribution and wholesale business of the Target was also severely affected.

With the gradual easing of COVID-19 restrictions in Singapore and other countries, the Target is planning to resume its regular networking events and is in the midst of discussions with potential distributors in Malaysia, Vietnam, Russia and Cambodia. Barring any COVID-19 related closures or restrictions, the Target believes that it has a chance to meet the sales forecast for FY2022.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Please refer to [Appendix 4](#) of this Circular for the financial effects of the Proposed Acquisition.

6. LISTING MANUAL COMPUTATIONS AND PROPOSED ACQUISITION AS A MAJOR TRANSACTION

6.1. Relative Figures under Rule 1006

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

<u>Rule 1006(a):</u> Net asset value of assets to be disposed of, compared with the Group's net asset value	Not applicable
<u>Rule 1006(b):</u> Net loss attributable to the assets acquired or disposed of, compared with the Group's net profit	Not meaningful ⁽¹⁾
<u>Rule 1006(c):</u> Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	33.9% ⁽²⁾
<u>Rule 1006(d):</u>	Not applicable

LETTER TO SHAREHOLDERS

Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	
<u>Rule 1006(e):</u> Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) The net loss of the Target Group for the 6 months financial period ended 30 June 2021 was approximately S\$441,965. The net profit of the Group for the 6 months financial period ended 30 June 2021 was S\$15,593,000. Under Rule 1002(3) of the Listing Manual, net profit/ loss means "profit or loss before income tax, minority interests and extraordinary items".
- (2) Based on the Consideration (being S\$16,965,000) for the Proposed Acquisition and the Company's market capitalisation as at 30 December 2020, being the market day immediately preceding the date of the Sale and Purchase Agreement. The market capitalisation of the Company is derived by multiplying 54,722,959 ordinary shares in issue by the volume-weighted average traded price of S\$0.9142 on 30 December 2020. There were no trades done on the Company's securities on 31 December 2020. (Source: Bloomberg LP)

6.2. Major Transaction

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Acquisition therefore constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is conditional upon approval by the Shareholders under Chapter 10 of the Listing Manual.

7. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

7.1. Proposed Acquisition as an Interested Person Transaction

The Vendor is regarded as an "interested person" of the Company by virtue of its ownership of the entire issued share capital of CCIAM, which is in turn the investment manager of MGF. MGF is a controlling shareholder of the Company.¹² As such, the Vendor is an associate of MGF. Consequently, transactions between the Company and the Vendor will be regarded as an "interested person transaction" and subject to the provisions of Chapter 9 of the Listing Manual.

The Vendor is wholly-owned by Dejoera Investment Limited, which is in turn wholly-owned by Mr Sun. Therefore, Mr Sun, who is a director of the Company, is also the indirect sole shareholder of the Vendor. As such, the Vendor is an associate of Mr Sun and thus an "interested person".

Accordingly, the Proposed Acquisition is regarded as an "interested person transaction" under Chapter 9 of the Listing Manual.

¹² Please refer to Section 2.6 of this Circular for more information on the relationship between the Company, the Vendor, Mr Sun and MGF.

LETTER TO SHAREHOLDERS

7.2. Materiality Thresholds under Chapter 9 of the Listing Manual

Under Chapter 9 of the Listing Manual, Shareholders' approval is required for an interested person transaction of a value equal to, or exceeding, 5% of the Group's latest audited NTA.

Based on the maximum Consideration of S\$20,000,000 (being the amount at risk to the Company) and the Group's latest audited NTA of S\$39,302,000¹³, the amount at risk of the Proposed Acquisition to the Company against the Group's latest audited NTA is 50.9%. Accordingly, as the amount at risk to the Company exceeds 5% of the Group's latest audited NTA, the Proposed Acquisition is subject to Shareholders' approval in a general meeting.

7.3. Current and On-going Interested Person Transactions

Save for the Proposed Acquisition (including the Deed of Guarantee provided by Mr Sun) and any fees or remuneration received by Mr Sun as a director of the Company:

- (a) there have been no interested person transactions entered into by the Group with the Vendor or its associates during the financial year beginning 1 January 2021 up to the Latest Practicable Date; and
- (b) there have been no interested person transactions entered into by the Group for the financial year beginning 1 January 2021 up to the Latest Practicable Date.

For the avoidance of doubt, as at the Latest Practicable Date, the Group has complied with the requirements under Rules 905 and 906 of the Listing Manual, in respect of the interested person transactions entered into by the Company during the financial year beginning 1 January 2021.

8. THE PROPOSED DIVERSIFICATION

8.1. Details of the Proposed Diversification

The Company was incorporated in Singapore on 2 February 1983 and has been listed on the Mainboard of the SGX-ST since 11 February 2004. The Company, an investment holding company, together with its subsidiaries, manufacture, import, and export aluminum extrusion sections, metal materials, and other related products for customers in Singapore, Thailand, Greater China, Malaysia and internationally ("**Existing Core Business**").

The Group's operations are mainly divided into two segments, namely (i) Electronics and Precision Engineering; and (ii) Construction and Infrastructure Building segments. The Electronics and Precision Engineering segment offers precision aluminum extrusions that form components of products of the high-tech electronics and precision engineering industries. The Construction and Infrastructure Building segment offers a range of aluminum extruded products for public infrastructure, building construction, interior fixtures, signages, and advertising panels in the construction, civil engineering, and infrastructure building industries.

On 27 March 2018, the Shareholders approved the resolution relating to the proposed

¹³ As at the date of this Circular, the Group's latest available NTA is based on the Group's audited consolidated financial statements as at 31 December 2020.

LETTER TO SHAREHOLDERS

diversification of the core business of the Company into the infrastructure business, as described in the Company's circular to shareholders dated 12 March 2018. Potential diversification projects were then identified by the Company based on whether the target business promised better potential for growth and profitability and was within the Company's capability and budget. The Company entered into discussions on various projects but none of these materialised into legally binding definitive agreements. A summary of these projects is set out below:

- (a) In 2018, the Company was in discussions to undertake an airport infrastructure project in Europe. However, due to geopolitical issues and prevailing market conditions, this project was shelved in September 2018.
- (b) In 2019, the Company was in discussions to undertake a project to establish a Traditional Chinese Medicine customer platform. However, no agreement was reached regarding principal terms.
- (c) On 17 June 2019, the Company announced that it had entered into a framework agreement with LNG trading and storage logistics provider Zhongneng International Gas Co. Ltd. However, the Company did not proceed with this proposed collaboration as it was not within the Company's budget.

As at the Latest Practicable Date, the Company has not acquired or invested in any infrastructure business.

In connection with the Proposed Acquisition and the lack of opportunities in the infrastructure business, the Company is proposing to diversify the Group's business into the production, sale and distribution of food and beverages (including, in particular, liquors and alcoholic beverages) ("**New Business**") (the "**Proposed Diversification**"). The New Business includes, *inter alia*, the sale and distribution of the Products that will be undertaken by the Target Group upon completion of the Proposed Acquisition.

The Company also intends to explore joint ventures and / or strategic alliances with third parties, including chinese restaurants and other food and beverage distributors, who have the relevant expertise and resources to carry out the New Business as and when the opportunity arises. The Company will also explore selling and distributing other foods and beverages (in addition to the Products), opening food and beverage establishments, collaborating with third parties to produce new-to-market food and beverages. The decision on whether a project will be undertaken by the Group on its own or in collaboration with third parties will be made by the Board after taking into consideration various factors, such as the nature and scale of each project, amount of investment required and risks associated with such an investment, nature of expertise required, the period of time required to complete the project, and availability of other investment opportunities.

The Company does not plan to restrict the Proposed Diversification to any specific geographical markets, to a specific food or beverage product or to a single distributor, as investments would be evaluated and assessed by the Board, on their own merits.

Please refer to the sections entitled "Rationale for the Proposed Diversification" and "Risks Factors Associated with the Proposed Diversification" as set out in Sections 8.4 and 8.6 respectively of this Circular for more details on the rationale for and risks associated with the Proposed Diversification.

LETTER TO SHAREHOLDERS

8.2. Funding for the Proposed Diversification

The funding for the Proposed Diversification into the food and beverage business and any future projects in relation to the food and beverage business is intended to be funded by the internal resources of the Group, external banking facilities and / or fund raising.

8.3. Management Personnel for the Proposed Diversification

It is a condition precedent under the Sale and Purchase Agreement that Mr Sun shall hold the position of CEO of the Company for a minimum period of five (5) years from the Completion Date. Following the completion of such 5-year term, in the event Mr Sun steps down from the position of CEO of the Company, he shall remain as a Director of the Company for such period for which the Distribution Rights remain valid and subsisting. Please see Section 3.3(d) of the Circular for further information.

Concurrent with the Proposed Diversification, the Company will also set up a new senior management team for the New Business to oversee the New Business. The Company is cognizant that the New Business and the Existing Core Business are in different sectors. Notwithstanding this, the Board recognises the relevant expertise required can be acquired and developed by the Group over time as it progresses into the New Business.

8.4. Rationale for the Proposed Diversification

The Proposed Diversification is part of the corporate strategy of the Group to seek diversified revenue streams that will provide long term growth. The Company believes that the Proposed Diversification will offer the Group new business opportunities that will have the potential of enhancing Shareholders' value in the longer term.

Notwithstanding the economic slowdown caused by the COVID-19 pandemic, the Group believes that the F&B industry is a necessary and resilient industry and will continue to generate stable income. With consumers being unable to travel or dine out as often as they were previously used to, consumer demand for existing and novel F&B products and innovative F&B experiences has increased. In light of this, coupled with the growing emphasis on food security and green resources, consumer demand for novel, innovative, safe and environmentally friendly foods and beverages can be expected to rise. The Company sees business potential in the F&B products space, and the potential consumer appeal of the Group's F&B products.

The Company anticipates the new revenue streams from the New Business to grow over time and improve the financial condition of the Group and, as such, the Company is of the view that the Proposed Diversification into the New Business, subject to the terms to be agreed in due course, offers a prospective platform for investment and business growth and development.

8.5. Investment in New Business

Subject to the resolution for the Proposed Diversification being approved by Shareholders, the Board and management of the Company will actively look for potential investment opportunities by way of acquisition or otherwise in the New Business, being the production, sale and distribution of food and beverages (including liquors and alcoholic beverages), which also includes, *inter alia*, the sale and distribution of the Products (that will be undertaken by the Target Group upon completion of the Proposed Acquisition).

LETTER TO SHAREHOLDERS

As and when the opportunities arise, upon satisfaction of the relevant due diligence investigations, the Company will enter into definitive documentation in order to implement its investment in the New Business. In addition, the Company will not rule out the possibilities to bring in other strategic partners / investors to participate in the future projects to be identified in relation to the New Business that the Group intends to engage in.

Compliance with Listing Rules

The Company will comply with the requirements of the Listing Manual in particular Chapter 7 and Chapter 10, pursuant to which the Company will make the necessary announcements on SGXNet and (where required by the Listing Manual) convene an EGM to seek Shareholders' approval for any acquisition undertaken by the Company.

8.6. Risk Factors Associated with the Proposed Diversification

(a) **The Group will be required to maintain various approvals, licences, permits and authorisations in order to operate its business.**

The Group will be required to maintain various approvals, licences, permits, registrations, authorisations and/or exemptions ("**Licences**") in order to operate in the F&B industry. These Licences are granted upon satisfactory compliance with, among other things, applicable laws and regulations in relation to food safety, hygiene sale and distribution, including but not limited to the Environmental Public Health Act 1987, the Sale of Food Act 1973 and the Liquor Control (Supply and Consumption) Act 2015. The Group will also be required to comply with the regulations and policies of relevant authorities, such as the National Environment Agency, the Singapore Food Agency and the Singapore police force. The Group's business and operations outside of Singapore are similarly subject to the laws and regulations of the respective countries in which they operate.

Changes to applicable laws, regulations or policies in target markets of the Group (including but not limited to Singapore, Hong Kong, USA or Australia) may also require the Group to comply with further and/or stricter requirements, which may result in higher operating costs and restrict or hamper the Group's business operations. If the Group is unable to pass on such increased operating costs to its customers, the Group's business, operations and financial performance may be adversely affected.

In some cases, these Licences may be subject to examinations or verifications by relevant authorities, and may be valid only for a fixed period of time and subject to renewal and accreditation. The obtainment, retention or renewal of such Licences can be a complex and time-consuming process and may involve incurring substantial costs or undertaking unfavourable conditions imposed by the relevant authorities. The Group may, in the future, experience difficulties, delays or failure in obtaining the necessary approvals, licences and permits for its business. There can be no assurance that the Group will be able to obtain or renew all of the Licences required for its existing business operations in a timely manner or at all.

Moreover, such Licences are generally granted subject to stipulated conditions and/or applicable laws, rules and regulations. If the Group is found to be in breach of any applicable laws, rules, regulations or conditions, the relevant government or regulatory authority may take action against the Group, including issuing warnings, imposing penalties, suspending the Licences, reducing the term of the Licences, imposing additional conditions or restrictions and/or revoking the Licences. Any failure to obtain, maintain or renew any of the Licences may

LETTER TO SHAREHOLDERS

materially and adversely affect the Group's business, operations and financial performance. There can be no assurance that such Licences will not be revoked. Further, the Group may be penalised for failure to obtain and/or maintain the required approvals, licences or permits, and as a result, its ongoing business could be interrupted.

(b) **Epidemics, pandemics, natural or other calamities can result in a decrease in demand for and supply of the Group's food and beverage products.**

The demand and supply of the Group's food and beverage products may be adversely affected by outbreaks of contagious diseases or viruses (e.g. COVID-19, Avian Flu H5N1, Avian Flu H7N9, Severe Acute Respiratory Syndrome, Ebola, Middle East respiratory syndrome coronavirus, "mad cow disease", etc.), in particular amongst livestock, which may escalate into a regional or global epidemic or pandemic.

In particular, the outbreak of a novel strain of coronavirus (i.e. COVID-19) which has been reported to have caused more than 5,000,000 deaths and infected more than 380,000,000 people worldwide, has spread globally and triggered a global economic downturn, causing disruptions in demand and supply chains. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic. The COVID-19 outbreak is ongoing and the extent of its impact on the domestic, regional and global economy remains uncertain.

Since February 2020, the COVID-19 outbreak has caused stock markets worldwide to lose significant value and has impacted economic activity in Asia and worldwide. Uncertainty about the effects of COVID-19 has resulted in significant disruption to capital and securities markets, which, if continued, may affect consumers' purchasing power, which could lower demand for food and beverage products as consumers prioritize purchasing essentials such as food staples instead.

It is possible that the COVID-19 outbreak will cause a prolonged global economic crisis or recession. Many governments have also revised their gross domestic product growth forecasts for 2021 downward in response to the economic slowdown caused by the spread of COVID-19. This may have a material adverse effect on the demand for food and beverage products. While governments have introduced and may introduce further support and relief measures in response to the COVID-19 pandemic, there is no assurance that such support packages will be effective in improving the state of the local and global economy.

The COVID-19 outbreak could potentially worsen, which may result in widespread disruptions to the tourism, retail and food and beverage industries and manufacturing supply chains owing to the imposition of movement restrictions and factory and business closures. Additionally, to slow the spread of the virus, governments around the world have also introduced strict border controls, travel restrictions and restrictions on business operations and social activities. This may lead to decreased demand for and sales of the Group's food and beverage products.

Further, even when movement and business restrictions put in place due to the COVID-19 outbreak are lifted, there might be a period of significantly reduced economic activity, potential increased unemployment and reduced consumer spending, which may adversely affect the demand for food and beverage products, which might in turn have a material adverse effect on the Group's future business, financial condition and results of operations. In Singapore, while the government has increased capacity limits for dining in and social gatherings with effect from 22 November 2021, social distancing measures must be adhered to and the consumption of liquor is not permitted after 10.30p.m. As at the Latest Practicable Date, such "safety management measures" are still in force, and may be further extended or enhanced. The

LETTER TO SHAREHOLDERS

resulting capacity limits will have an impact on the number of customers which food and beverage outlets in Singapore may entertain, which may correspondingly have an adverse impact on sales of the Group's food and beverage products.

In addition, natural calamities such as floods, typhoons, earthquakes, landslides, volcanic eruptions or tsunamis may adversely affect the supply of the Group's food and beverage products. In the event the Group's food and beverage products are made with ingredients sourced from different parts of the world, the production, manufacturing, business and operations of the Group's food and beverage products may be adversely affected by the occurrence of regional or global pandemics or epidemics.

A loss in consumer confidence concerning a particular ingredient may lead to a reduction in consumption of certain types of food or beverages and may force the Group to reduce or eliminate the use of that ingredient in its food and beverage products. Certain ingredients from particular countries may be restricted or banned by the government in Singapore, and scarcity of supplies may lead to price increases for those ingredients, thereby affecting the Group's ability to produce, sell and distribute certain food and beverage products. Consumer sentiment may also be adversely affected, and consumers may be less willing to dine out or patronise F&B outlets.

Further, if any of the Group's employees exhibit symptoms or becomes infected, the Group may be required to shut down its business operations for a significant period of time. In the event that any of these events occur, the Group's business, operations and financial performance may be materially and adversely affected.

(c) **Food contamination and tampering risks may result in the Group being exposed to negative publicity, customer complaints, product recall and potential litigation.**

The Group may, from time to time, be the subject of complaints from consumers regarding the quality of its food and beverage products, which may in turn affect its reputation as a food or beverage producer, seller and distributor.

The ingredients used in the Group's food and beverage products may be procured from various suppliers, some of which may be perishable and susceptible to contamination and tampering if not properly stored or packed. The Group's food and beverage products may also be contaminated during the food preparation process as a result of lapses in food handling hygiene or cleanliness. Contaminated ingredients may result in customers falling ill, thus leading to bad publicity. The Group may even be ordered by the relevant authorities to suspend or cease all or part of its F&B operations, which may materially and adversely affect the Group's business and financial performance.

The Group may also be subject to consumer complaints or allegations regarding food or service quality. If the Group's food and beverage products are alleged to cause injury or illness, or if the Group is alleged to have mislabelled or misbranded its products or otherwise violated any regulations, the Group may be exposed to product recalls and adverse publicity. The Group may also voluntarily recall or withdraw products that it considers below standards, whether for quality, taste, appearance or otherwise, in order to protect its business reputation. Product recalls (even if voluntary), product liability claims (even if unmerited or unsuccessful) or negative publicity may hurt the Group's business reputation and may lead to a loss of consumer confidence in and demand for the Group's products. These could result in substantial and unexpected expenditures, destruction of product inventory, and lost sales, which could reduce profitability and cash flow.

LETTER TO SHAREHOLDERS

Any complaints regarding the Group's products which escalate into lawsuits against the Group, even where unsuccessful, could be costly, time-consuming and may require the diversion of significant management attention. A successful product liability claim brought against the Group could result in judgments, fines, damages and liabilities that could have a material adverse effect on the Group's business, financial condition and operations. There is also no assurance that legal claims will not be brought against the Group in the future.

As at the Latest Practicable Date, the Target Group does not hold any liability insurance. The Group also does not have any liability insurance as at the Latest Practicable Date as it has yet to diversify into the New Business. The Group will procure suitable liability insurance in relation to the New Business, and will work with the management team and take advice from financial advisors on the appropriate level of coverage, taking into consideration factors including (but not limited to) the type of business undertaken, the scale of the business, the type of food and beverage sold and the likelihood of food contamination. In the event that the Group is found liable under any such liability claims, there is no assurance that the Group will have adequate or sufficient liability insurance to cover the amount of damages payable in respect of such claims. Any claims in excess of any liability insurance coverage that may be obtained by the Group may have a material adverse effect on the Group's business, financial conditions and results of operations. In the event that the liability incurred by the Group under such claims is substantial, the Group's business may be significantly affected.

(d) **Increases in the costs of and/or a shortage in supply of certain ingredients may result in disruptions to the Group's F&B operations.**

The Group may be highly dependent on its approved suppliers for a consistent and sufficient supply of ingredients that meet its quality standards. If the Group's suppliers are unable to supply it with sufficient key ingredients which meet its quality standards, this may result in disruptions to the Group's business and operations and may adversely affect its business and financial performance.

The supply and prices of ingredients may be subject to various factors beyond the Group's control, including climate, seasonality, exchange rates and applicable laws, rules, regulations and policies in relation to the sale and import of such ingredients. There can be no assurance that the Group will be able to anticipate decreases or disruptions in supply or increases in ingredient costs, or secure alternative ingredient supplies that comply with its quality standards. If the Group is unable to procure sufficient supplies of key ingredients or afford increased costs of such ingredients, its business and financial performance may be adversely affected.

(e) **The Group operates in a highly competitive industry.**

The F&B industry is a highly competitive field with relatively low barriers to entry. There is an extensive number of domestic and international players who offer F&B products similar to the Group's at similar prices in the same markets where the Group operates. The success of the New Business will depend to a large extent on the Group's ability to establish itself in the F&B industry on an economically viable scale.

The product categories of the New Business may be highly competitive. There may be numerous brands and products that compete for sales, with competition based primarily upon brand recognition and loyalty, product packaging, quality and innovation, taste, nutrition, price and convenience. Products produced, sold and distributed by the Group may also face strong

LETTER TO SHAREHOLDERS

competition from similar products sold at lower prices, imported products of other national and regional brands, and fresh and frozen alternatives.

Competition is primarily manifested in the form of pricing concessions and intensive advertising and promotional campaigns. Some of the Group's competitors may also have a longer operating history and more well-established reputation in the F&B industry, more financial and human resources, lower fixed costs, or offer a wider range of food and beverage products than the Group and may have substantially greater financial resources or more established relationships with F&B suppliers than the Group.

To sustain the Group's competitive edge, the Group may have to continuously invest in advertising, promotional and branding activities to develop market awareness, strengthen its bonds with its suppliers and customers, maintain the quality of its food and beverage products, consistently deliver excellent customer service, and, as the case may require, decrease the sale price of its food and beverage products. This reduction in prices due to stiff competition may in turn lead to erosion of the Group's profit margins. Such activities may also increase the Group's expenses, and incurring such expenditure without a corresponding increase in revenue may have an adverse impact on the Group's growth prospects and financial performance. Further, if the Group is unable to compete effectively with its current or potential competitors, for example, by offering better quality food and beverage products at lower prices, its sales and market share may be materially and adversely affected.

There can be no assurance that the Group's plan to penetrate these markets will be commercially successful. The Group cannot predict the pricing or promotional activities of its competitors or whether they will have a negative effect on the New Business. If the Group fails to compete effectively in the F&B industry, the Group may lose clients and/or investee companies, and the opportunity to gain new clients and/or investee companies.

(f) **The tastes, preferences, perceptions, health concerns and dietary habits of consumers for food and beverage products may change from time to time, which may result in a decrease in demand for the Group's products.**

The market demand for food and beverage products is subject to various factors including the tastes and preferences of consumers and their perceptions of certain foods and beverages (including liquor and alcohol) and changes thereto. Shifts in consumers' tastes, preferences and perceptions of food and beverage products may be attributable to, *inter alia*, changes in market trends, recommendations or criticisms from food critics or advertising and promotion campaigns. If there is a shift in consumers' tastes, preferences or perceptions with respect to particular food and beverage products, the business, financial condition and results of operations of the Group could be adversely affected.

Adverse public opinion and perception about certain food and beverage products (such as alcohol) and reports on the adverse health consequences of such food and beverage products may affect consumer perceptions of, and cause a reduction in the consumption of, such food and beverage products generally, which could adversely impact the Group's profitability. Demand for the Group's food and beverage products may also be adversely affected by the publication of industry findings, research reports, health concerns or ingredients such as, for example, processed foods or foods which are high in sugar. Any such negative publicity, regardless of their validity, may result in lower demand for the Group's food and beverage products.

LETTER TO SHAREHOLDERS

Market trends, consumer preferences, tastes, perceptions and / or spending habits may also change over time due to various factors such as an economic downturn, or an increase in taxes, which could increase the cost of sales of the Group's products to consumers. Any of these factors may reduce consumers' willingness to purchase particular food and beverage products produced by the Group.

The Group will conduct its market research and develop its business strategy in anticipation of producing, selling and distributing products that it believes have good prospects. However, there can be no assurance that the Group's market research efforts and business strategy will yield its desired results. The success of the New Business is dependent to a large extent on the Group's ability to consistently produce, sell and distribute products which suit the tastes of consumers, reposition existing products, and anticipate and offer products that appeal to the changing tastes, preferences, dietary habits and trends of consumers.

Demand for the Group's products also depends on demographic factors and trends, as well as factors relating to discretionary consumer spending, including the general condition of the economy, general level of consumer confidence and seasonal factors such as holidays and festivities. Should consumer preferences and dietary habits shift, there may be a corresponding decrease in demand for the Group's products.

There is no assurance that the Group will be able to procure products that meet the demands of its target clientele. If the Group fails to react to the changes in consumers' tastes and preferences for food and beverage products in a timely manner, sales may decline and the Group's financial condition and results of operations may be adversely affected.

(g) **The Group may be subject to certain risks relating to the outsourced production of its food and beverage products.**

The Group may outsource the preparation, production and packaging of its food and beverage products to third party producers or manufacturers. Outsourcing generates risks due to lack of control over the production process, which may lead to production delays or interruptions, inferior product quality control and misappropriation of trade secrets. In addition, failure by these third-party service providers to perform their contracts may result in cost overruns, delayed deliveries, shortages, quality issues or other problems, which could result in customer dissatisfaction and potentially, legal claims against the Group, and could materially and adversely affect the Group's business, financial condition and results of operations.

If one or more of these third party producers or manufacturers becomes insolvent or unable or unwilling to continue to provide its services at an acceptable cost and standard in a timely manner, the Group's ability to deliver its food and beverage products to its customers could be adversely affected. Furthermore, the need to identify substitute third party producers and manufacturers could result in operational delays and additional costs. Substitute producers and manufacturers might not be available or, if available, might be unwilling or unable to offer the services required by the Group on terms acceptable to the Group. Moreover, if demand for the Group's food and beverage products increases, the Group may be unable to secure sufficient additional production capacity on commercially reasonable terms from its current producers or manufacturers on short notice, or from other producers or manufacturers.

(h) **Any quality issues relating to the food and beverage products it sells or distributes could adversely affect the Group's reputation and business.**

The quality of food and beverage products are primarily dependent on the production process,

LETTER TO SHAREHOLDERS

which may be affected by factors such as humidity, temperature and food processing techniques. In addition, food and beverage products may also be spoiled or tampered with during the storage or transportation process. The Group may have limited control over the quality of the food and beverage products it sells and/or distributes.

Quality issues with food and beverage products which the Group may not be aware of may cause undesirable side effects to its customers. If the Group sells or distributes defective food and beverage products, consumers may lose confidence in the Group and the Group's reputation could be severely damaged, which in turn could lead to a decrease in demand for the food and beverage products it sells or distributes, which might adversely impact the Group's financial condition and results of operations. In addition, in the event of quality issues with the food and beverage products it sells or distributes, the Group may be liable to product liability claims.

(i) **The success of the New Business may depend on third-party suppliers meeting the Group's quality standards.**

The Group may buy ingredients, commodities and other raw materials from third-party suppliers to be used in its food and beverage products. If such ingredients are alleged or proved to be of an inferior quality or to contain contaminants affecting the safety or quality of the Group's food and beverage products, the Group may need to find alternative ingredients and raw materials, or discard or otherwise dispose of its products, which could adversely affect its results of operations. Additionally, if the quality of the Group's food and beverage products or the presence of such contaminants are not discovered until after the affected products have been distributed, the Group may need to withdraw or recall the affected products and may experience adverse publicity or product liability claims as a result, which could adversely affect the Group's results of operations.

(j) **Disruptions in supply or distribution networks may affect the Group's ability to supply or distribute its food and beverage products to its customers in a timely manner.**

The New Business may involve sourcing ingredients, commodities and other raw materials from a large number of domestic and international suppliers. As multiple forms of transportation may be used to bring the Group's products to the market, logistics and other transportation related costs could have a significant impact on the Group's results of operations. Disruption to the timely supply of these services or increases in the cost of these services for any reason, including regulations affecting the industry or service failures by the Company's third-party logistics service providers, could have an adverse effect on the Company's ability to distribute its food and beverage products to its customers.

Furthermore, the Group may be subject to fluctuations in the prices of shipping and logistics costs, which may affect the pricing and profit margin of the products distributed by the Company. Such logistics costs may be influenced by many factors, including the availability of vessels to satisfy demand, general economic conditions and global trading volumes.

External factors, including political or economic instability and severe weather conditions or natural disasters such as floods, earthquakes or typhoons, in the areas in which the Company has supply or distribution networks, may also impact transportation infrastructure, result in closure of such areas, disrupt the Group's supply or distribution networks, cause delivery delays, decrease the availability or selection of products and result in cost increases. Severe weather conditions and natural disasters may also affect the growing conditions, quantity and quality of the produce yielded by food producers and adversely affect the availability or cost of certain

LETTER TO SHAREHOLDERS

products or ingredients. Such disruptions to the Group's supply or distribution network may adversely affect the Group's business operations and financial performance.

The failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product or ingredient is sourced from a single supplier or location, could adversely affect the Group's business and results of operations.

(k) **The Group's operational results may fluctuate significantly from month to month due to seasonality and other factors.**

The seasonal pattern is primarily due to (a) the popularity of liquor products as festival or congratulatory gifts, and (b) consumers' tendency to spend during the shopping seasons such as Christmas and the New Year. This seasonal pattern may cause the Group's operational results to fluctuate from month to month. Furthermore, if the Group's operations are disrupted or affected by unpredictable events taking place during such seasons, the Group's business, financial condition and results of operations would be adversely affected.

(l) **The Group may not be able to detect quality issues in the manufactured products it has procured during its product inspection.**

When the Group receives manufactured products from suppliers, it may inspect the delivered items by examining their physical appearance and overall packaging and labelling, and checking whether the descriptions of the delivered items match its purchase orders. The Group may not be able to conduct sampling or tasting inspections during its product inspection process. Hence, the Group may be unable to discern the quality of the products it sells or to ascertain whether or not the products procured have been spoilt or tampered with. Accordingly, the Group relies on the reputation and goodwill of its suppliers to safeguard the quality of the products it procures.

The Group cannot provide assurance that the products it procures will always be free from any quality issues, and that the Group's staff will be able to detect defective or damaged items during its product inspection process. If the Group fails to detect quality issues in such products before acknowledging receipt, the Group may lose its rights to return the defective products to suppliers and may have to discard the same, which in turn may adversely affect the Group's financial performance and operational results.

(m) **Any damages to or loss of products during the transportation process may adversely affect the Group's business and results of operations.**

The Group may be exposed to risks of losses when it transports products. From time to time during the course of its business operations, the Group may transport products to and from its warehouses, and deliver products to places designated by customers. If the products are handled inappropriately during the transportation process and their labels, seals or packaging is damaged, the Group may have to lower the sale price of the damaged products by offering discounts or promotions, which could result in a decrease in the Group's profit margin, which may adversely affect its profitability. In addition, if the Group loses any products during the transportation process, its business could be adversely affected. There is no assurance that the Group will be free from any such losses or damages in the future. In particular, the product transportation process could be interrupted by unforeseen events which are beyond the Group's control, including adverse weather conditions and traffic accidents, any of which may damage the products in transit and adversely affect the Group's business.

LETTER TO SHAREHOLDERS

(n) **The Group may be subject to certain risks relating to the storage of food and beverage products.**

The Group may store food and beverage products in its warehouses. The Group relies on warehouse staff to handle the products in its possession and the Group's storage facilities remain subject to operational risks, including (i) fires, (ii) explosions, (iii) mechanical failures such as electricity failures or temperature and humidity control system malfunctions, and (iv) other events beyond the Group's control. These operational risks can result from a number of factors including (a) misconduct and improper operation, (b) equipment aging, (c) any fraudulent, dishonest, reckless or negligent acts of the Group's employees, (d) inadvertent contamination, and (e) break-ins.

There is also no assurance that there will be no disruption of the Group's storage facilities in the future. Any disruptions to the Group's storage facilities could spoil or adversely affect the quality and taste of the food and beverage products, and hamper the Group's ability to deliver its products to customers in a timely and satisfactory manner. In addition, the taste and quality of the products may change and deteriorate during the storage process due to reasons beyond the Group's control.

If the Group's food and beverage products are spoiled or deteriorate for any reason, the Group may be sued by its customers for damages. Although the Group may maintain insurance against any physical damage to property under its possession, such insurance may not be sufficient to cover the Group's losses. In such event, the Group's business, financial condition and results of operations could be adversely affected.

(o) **If there is any disruption or termination of the Group's relationships, distribution rights or contracts with major suppliers or distributors, the Group's supply of and ability to distribute food and beverage products may be affected, and the Group may not be able to meet the demands of its customers.**

The Target Group received its rights to distribute the Products globally excluding Mainland China from Dongying, a company incorporated in the People's Republic of China, in the following manner:

On 21 May 2018, Guizhou Moutai granted Dongying the Dongying Worldwide Distribution Rights. Pursuant to a distribution agreement between Dongying and the Vendor and a subsequent assignment by the Vendor to the Target, the Vendor assigned to the Target the Distribution Rights. Following the Deed of Novation entered into between the Target, Dongying and the Vendor, as of 21 April 2021, the Target holds the Distribution Rights directly from Dongying and the Vendor no longer has any interests in the Distribution Rights.

Therefore, if the Target fails to meet the annual sales targets under the CIG Distribution Agreement, Dongying shall have the right to terminate the Distribution Rights granted to the Target.

As the Distribution Rights held by the Target are granted out of the Dongying Worldwide Distribution Rights, in the event the Dongying Worldwide Distribution Rights are terminated or found to be defective or unenforceable, the Distribution Rights of the Target (which are granted by Dongying) may also be impacted or terminated. This may occur if Dongying fails to meet the annual sales targets under the Dongying Distribution Agreement, pursuant to which Guizhou Moutai shall have the right to terminate the Dongying Worldwide Distribution Rights granted to

LETTER TO SHAREHOLDERS

Dongying. This would result in the Distribution Rights held by the Target being *prima facie* terminated.

Further, in the event the Distribution Rights or the Dongying Worldwide Distribution Rights are terminated, the Group's right to distribute the Products in all countries in which it is permitted to do so (being outside Mainland China, including in Singapore, Cambodia, Laos, Macau and Hong Kong) will also be impeded.

The Group may also acquire the distribution rights to distribute other food and beverages (including, in particular, liquors and alcoholic beverages). Such distribution rights will continue to be subject to ongoing compliance with the terms and conditions of the distributorship agreements entered into by the Group. In the event that such distributorship rights are disrupted or terminated, the Group's ability to distribute the food and beverages (including liquors and alcoholic beverages) may be affected and may adversely impact the Group's business.

Further, there can be no assurance that the Group will acquire exclusive distribution rights to such food and beverages. There can also be no assurance that the Group will have the marketing or distribution capabilities, technical expertise or financial resources to compete effectively with other companies who hold similar distribution rights for such food and beverages.

The ability to source for quality food and beverage products at competitive prices in a timely manner is also crucial to the Group's success. There can be no assurance that the Group's suppliers will continue to supply food and beverage products to it at terms and prices acceptable to the Group and at the current quantities, or that the Group's suppliers will continue to supply food and beverage products to the Group rather than its competitors. If there is any disruption or termination of relationships with the Group's major suppliers or distributors, and if the Group fails to source for alternative food and beverage suppliers on comparable terms in a timely manner, the Group may have to procure food and beverage products at a higher price. Consequently, the Group's business and results of operations may be adversely affected.

(p) **Levies on liquor products may be changed, which may reduce the demand for or profitability of the Group's liquor products.**

Currently, the Singapore Customs imposes an excise duty of S\$88.00 per liter of alcohol. In addition, a Goods and Services Tax (GST) of 7% is also applicable. Any increase in import and excise duties may reduce overall consumption of liquor products and reduce the Group's profitability, which may adversely affect its business, financial condition and results of operations.

(q) **The Group does not have prior experience in the New Business and the current management may not have the relevant expertise to ensure success.**

The Proposed Diversification is in an area that is new to the Group. As such, the Group faces the risks, uncertainties and problems associated with entry into a new industry in which it has no prior experience or track record. In addition, the Company's current management team may not have the relevant expertise to ensure success in the New Business and there is no guarantee that their experience and networks will result in the New Business being successful.

The Company intends to devote time and management attention to setting up the New Business, including but not limited to hiring skilled professionals and employees, providing the requisite training, know-how and business support, creating new incentive structures for

LETTER TO SHAREHOLDERS

management and staff, establishing the operating infrastructure and internal controls, brand development, and establishing clientele. Nevertheless, there can be no assurance that the Company will be successful in the New Business.

Delays in integration or unforeseen or unresolved issues may divert the Group's management team's attention and resources, delay the commencement of or prevent revenue growth in the New Business, which may materially and adversely affect the results of operations or financial position of the Group.

(r) **The Group may not be able to recruit or retain key personnel with the relevant expertise in the New Business.**

In order to develop the New Business, the Group must hire and retain skilled employees with particular expertise. The implementation of the Group's strategic business plans with respect to the New Business could be undermined by a failure to recruit or retain key personnel or the unexpected loss of senior employees.

It is not certain that the Group will be able to attract or retain key employees and successfully manage them, which could disrupt the New Business and may have an unfavorable material effect on the Group's financial position, competitive position and income from operations.

The Group's success depends largely on the contributions of its senior management team and key employees who have the ability to successfully execute the business strategy of the New Business. The Group may not be able to locate suitable or qualified replacements for such personnel and may incur additional expenses recruiting and training new personnel, which could severely disrupt the Group's business and growth.

(s) **The Group may require additional funding for working capital and future capital expenditure to implement long-term business strategies.**

The New Business may require additional funding for working capital and future capital expenditure. It is likely that the Group will need to access the capital markets for debt or equity financing to fund its growth. The Group's ability to obtain additional financing depends on various factors, including but not limited to market conditions, its operating performance and the commercial viability of its products and/or services. There is no assurance that the Group will be able to obtain additional financing in a timely manner and on terms that are acceptable to the Group, or at all.

(t) **The Group may not be able to successfully integrate newly acquired businesses with the Group's then existing business.**

The Group may acquire other food and beverage distributors (including, in particular, liquor and alcoholic beverage distributors). It is not certain that the Group will be able to successfully integrate such business(es) with the Group's then existing business. The Group may also face problems associated with employing cost-saving measures and deriving synergies to increase the profitability of its newly acquired businesses. There is no assurance that the Group will be able to achieve successful integration of newly acquired food and beverage distributor(s) into the Group's then existing business portfolio, and this may have a material adverse effect on the Group's business, financial condition and results of operations.

9. THE PROPOSED CHANGE OF NAME

LETTER TO SHAREHOLDERS

In connection with the Proposed Acquisition and Proposed Diversification, the Company is proposing to change the name of the Company from “AEI Corporation Ltd.” to “Ascent Bridge Limited” to better reflect the resultant focus of the Company on the new business or activities of the Group (“**Proposed Change of Name**”).

Shareholders should take note that notwithstanding the change of the Company’s name, the Company will not recall any Existing Share Certificates bearing the current name of the Company, which continue to be prima facie evidence of legal title. No further action is required on the part of the Shareholders. ACRA has approved the reservation of the proposed name “Ascent Bridge Limited” for a period of 120 days ending on 7 June 2022, and the Company will extend the reservation as necessary for the purposes of the Proposed Change of Name.

Approval from Shareholders for the Proposed Change of Name by way of a special resolution will be sought at the EGM.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

10.1. Interests in Shares

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

<u>Directors</u>	<u>Direct Interest</u>		<u>Deemed Interest</u>		<u>Total Interest</u>	
	<u>No. of Shares</u>	<u>%⁽¹⁾</u>	<u>No. of Shares</u>	<u>%⁽¹⁾</u>	<u>No. of Shares</u>	<u>%⁽¹⁾</u>
Mr. Sun Quan ⁽²⁾	-	-	44,712,956	51.35	44,712,956	51.35
Mr. Li Zhibo	-	-	-	-	-	-
Dr. Tan Khee Giap	-	-	-	-	-	-
Mr. Siow Chee Keong	-	-	-	-	-	-
Mr. Chua Wei Ming	9,200	0.01	5,000	0.01	14,200	0.02
Mr. Richard Andrew Smith	-	-	-	-	-	-
<u>Substantial Shareholders (other than Directors)</u>						
MTBL Global Fund ⁽³⁾	34,462,956	39.58	-	-	34,462,956	39.58
MTBL Global Holdings Pte. Ltd. ⁽⁴⁾	10,250,000	11.77	-	-	10,250,000	11.77

Notes:

- (1) Based on the total issued and paid-up share capital of the Company of 87,072,231 Shares excluding 3,009,200 treasury shares, as at the Latest Practicable Date (being 3 February 2022).
- (2) Mr Sun Quan is deemed interested in the Shares held by MTBL Global Fund by virtue of his controlling interest in the fund manager of MTBL Global Fund.
- (3) MTBL Global Fund was formerly known as New Impetus Strategy Fund.
- (4) Mr Sun Quan is deemed interested in the Shares held by MTBL Global Holdings Pte. Ltd. by virtue of his controlling interest as a sole shareholder and director of MTBL Global Holdings Pte. Ltd.

10.2. Interests in the Proposed Transactions

Mr Sun is the CEO, director and beneficial owner of the Vendor. Mr Sun is also an Executive Director of the Company and deemed to be a controlling shareholder of the Company. As a condition precedent under the Sale and Purchase Agreement, Mr Sun has also entered into the Deed of Guarantee in favour of the Company, guaranteeing the performance of the

LETTER TO SHAREHOLDERS

Vendor's obligations, indemnities and liabilities under the Sale and Purchase Agreement.

Save as disclosed herein, to the best of the knowledge of the Board: (i) none of the directors (other than in his capacity as director or shareholder of the Company, as the case may be) of the Company has any interest, direct or indirect in the Proposed Transactions; and (ii) there are no substantial shareholders in the Company who have any interest, direct or indirect, in relation to the Proposed Transactions.

11. OPINION OF THE INDEPENDENT FINANCIAL ADVISOR

Stirling Coleman Capital Limited has been appointed as the independent financial advisor (“**IFA**”) in relation to the Proposed Acquisition to opine on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter dated 9 February 2022 to the Recommending Directors, containing in full the advice and opinion of the IFA, is reproduced and appended in Appendix 5 to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

Taking into consideration the factors set out in the IFA Letter, the IFA is of the opinion that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

12. STATEMENT FROM THE AUDIT COMMITTEE

Having reviewed, *inter alia*, the terms and rationale of the Proposed Acquisition, the financial effects thereof, the Company Valuation Report, the Vendor Valuation Report, as well as the advice of the IFA, the audit committee of the Company (comprising Dr Tan Khee Giap, Mr Siow Chee Keong and Mr Chua Wei Ming) (“**Audit Committee**”) concurs with the opinion of the IFA and are of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

13. DIRECTORS' RECOMMENDATIONS

13.1. The Proposed Acquisition

Having considered the terms and conditions of the Sale and Purchase Agreement, the Company Valuation Report, the Vendor Valuation Report, the rationale for and the financial effects of the Proposed Acquisition and all other relevant facts set out in this Circular, including the opinion given by the IFA to the Recommending Directors in the IFA Letter, the Recommending Directors are of the opinion that the Proposed Acquisition is in the best interests of the Company, and recommends that Shareholders vote in favour of Resolution 1 relating to the Proposed Acquisition, to be proposed at the EGM as set out in the Notice of EGM.

13.2. The Proposed Diversification

Having considered the rationale and the information relating to the Proposed Diversification and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Diversification is in the best interests of the Shareholders and accordingly recommends that Shareholders vote in favour of Resolution 2 relating to the Proposed Diversification, to be proposed at the EGM as set out in the Notice of EGM.

13.3. The Proposed Change of Name

LETTER TO SHAREHOLDERS

Having considered the rationale and the terms of the Proposed Change of Name and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Change of Name is in the best interests of the Company and accordingly recommends that Shareholders vote in favour of Resolution 3 relating to the Proposed Change of Name to be proposed at the EGM as set out in the Notice of EGM.

14. EXTRAORDINARY GENERAL MEETING

14.1. Date and time of EGM

The EGM, notice of which is set out in the Section titled “Notice of Extraordinary General Meeting” in this Circular, shall be held by electronic means at 10.00 a.m. on 3 March 2022 for the purpose of considering, and if thought fit, passing with or without modifications, the resolution set out in the Notice of the EGM.

14.2. Participation at EGM

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM in person. Instead, Shareholders may participate at the EGM by:

- (a) watching and listening to the EGM proceedings via live audio-and-video webcast;
- (b) listening to the EGM proceedings via live audio-only feed;
- (c) attending a virtual information session (“**Virtual Information Session**”) where real-time electronic communication facilities will be available to enable questions to be raised and responded to at the Virtual Information Session;
- (d) submitting questions by post or email or via the pre-registration website for the Virtual Information Session; and/or
- (e) voting by appointing the Chairman of the EGM as proxy at the EGM.

Shareholders should note that the Company may make further changes to its EGM or Virtual Information Session arrangements (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (“COVID-19 Order”) as well as other guidelines issued by the relevant authorities. Shareholders are advised to keep abreast of any such changes as may be announced by the Company from time to time on SGXNet.

15. NO DESPATCH OF PRINTED COPIES OF CIRCULAR, NOTICE OF EGM AND PROXY FORM

In line with the provisions of the COVID-19 Order, printed copies of this Circular, the Notice of EGM and the Proxy Form with respect to the EGM will not be despatched to Shareholders. Copies of this Circular, the Notice of EGM and the Proxy Form have been uploaded on SGXNet and are also available on the Company’s website at: <https://aei.com.sg/>.

LETTER TO SHAREHOLDERS

Shareholders are advised to read this Circular carefully in order to decide whether they should vote in favour of or against the resolutions in relation to the Proposed Transactions.

16. ACTION TO BE TAKEN BY THE SHAREHOLDERS

Alternative arrangements have been put in place to allow Shareholders to participate in the EGM in the following manner:

16.1. Registration to attend EGM

The Company's Chairman will conduct the EGM by way of electronic means. Shareholders will be able to watch these proceedings through a live webcast via their mobile phones, tablets or computers or listen to these proceedings through a live audio feed via telephone.

In order to do so, Shareholders must follow these steps:

- (a) Shareholders who wish to follow the EGM proceedings through a live webcast or live audio feed must pre-register at the URL <https://smartagm.sg/aei2022> no later than 10.00 a.m. on 28 February 2022 ("**Registration Cut-Off Time**") (being 72 hours before the time fixed for the EGM). Following verification, an email containing instructions on how to access the live webcast or listen to the live audio feed of the proceedings of the EGM will be sent to authenticated shareholders by 10.00 a.m. on 2 March 2022.
- (b) Shareholders who do not receive any email by 10.00 a.m. on 2 March 2022, but have registered by the Registration Cut-Off Time, should contact the Company's share registrar by email at bcasmeetings@boardroomlimited.com.

Investors holding Shares through Depository Agents should contact their respective Depository Agents as soon as possible so as to allow necessary arrangements to be made for them to participate in the live webcast of the EGM.

Details of the steps for pre-registration for the live webcast and live audio feed are set out in Appendix 6 to this Circular.

16.2. Submission of Questions

Shareholders will not be able to ask questions 'live' during the broadcast of the EGM. However, Shareholders who pre-register for the Virtual Information Session by 10.00 a.m. on 15 February 2022 (the "**VIS Registration Cut-Off Time**"), may submit their questions relating to the items on the agenda of the EGM via post to the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 by 10.00 a.m. on 17 February 2022, via email to EGM2022@aei.com.sg by 10.00 a.m. on 17 February 2022, or via the URL <http://smartagm.sg/aei2022> by 10.00 a.m. on 15 February 2022, stating their name and identification number for verification. The Virtual Information Session will be held at 10.00 a.m. on 18 February 2022.

Following verification, Shareholders who have registered for the Virtual Information Session will receive an email containing the user ID and password details as well as the URL to access the Virtual Information Session ("**VIS Confirmation Email**"). Shareholders who have pre-registered for the Virtual Information Session but who have not received the VIS Confirmation Email to access the Virtual Information Session by 10.00 a.m. on 17 February 2022 should contact the Company at EGM2022@aei.com.sg.

LETTER TO SHAREHOLDERS

The Company will endeavor as far as possible to address all substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM received from Shareholders by 10.00am on 17 February 2022, at the Virtual Information Session and before the EGM. The Company will publish its responses to the questions at least 72 hours before the cut-off time for the submission of Proxy Forms (i.e. by 10.00 a.m. on 26 February 2022), either by releasing an announcement on the SGXNet or by publishing its responses on the Company's website. Following the EGM, the minutes of the EGM, together with the substantial and relevant questions, comments and queries received from Shareholders and the Company's responses, will be posted on the SGXNet and the Company's website within one (1) month after the date of the EGM.

Details of the steps for submission of comments, queries and/or questions in advance of the Virtual Information Session are set out in [Appendix 6](#) to this Circular.

16.3. Submission of Proxy Forms to Vote

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM in person. Shareholders who wish to exercise their votes must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote at the EGM on their behalf. To do so, Shareholders must complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to:

- (a) if submitted by post, be lodged with the registered office of the Company at 15 Tuas South Street 13, Singapore 636936; or
- (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at EGM2022@aei.com.sg,

not less than 48 hours before the time fixed for the holding of the EGM.

Shareholders (whether individual or corporate) appointing the Chairman of the EGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

Investors whose Shares are held with relevant intermediaries under Section 181(1C) of the Companies Act such as Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") investors who wish to attend the EGM should approach their respective intermediaries such as CPF Agent Banks or SRS Operators as soon as possible to specify his/her voting instructions. CPF or SRS investors who wish to exercise their votes by appointing the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators by 5.00 p.m. on 22 February 2022 to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the EGM to vote on their behalf by 10.00 a.m. on 1 March 2022.

Details of the steps for submission of Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote at the EGM are set out in [Appendix 6](#) to this Circular.

16.4. When a Depositor is not regarded as a Shareholder

LETTER TO SHAREHOLDERS

A depositor shall not be regarded as a member of the Company entitled to appoint the Chairman of the EGM as proxy and to attend, speak and vote at the EGM on his/her/its behalf unless he/she/it is shown to have Shares entered against his/her/its name in the depository register at least 72 hours before the time fixed for holding the EGM, as certified by CDP to the Company.

16.5. Key Dates and Times

Key Dates and Times	Actions to be taken by Shareholders
10.00 a.m. on Tuesday, 15 February 2022	<p>Deadline for Shareholders to pre-register for the Virtual Information Session and submit comments, queries and/or questions to be addressed at the Virtual Information Session (in addition to any further comments, queries and/or questions received during the Virtual Information Session).</p> <p>The agenda for the Virtual Information Session is to enable Shareholders to raise questions in relation to the Proposed Acquisition, the Proposed Proposed Diversification and the Proposed Change of Name at the Virtual Information Session.</p>
10.00 a.m. on Thursday, 17 February 2022	<p>Shareholders, who have pre-registered for the Virtual Information Session and who have been verified by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., will receive the VIS Confirmation Email which will contain the user ID and password details as well as the URL to access the Virtual Information Session.</p> <p>Shareholders who have pre-registered for the Virtual Information Session but who have not received the VIS Confirmation Email by 10.00 a.m. on 17 February 2022, should contact the Company at EGM2022@aei.com.sg.</p>
10.00 a.m. on Friday, 18 February 2022	<p>Shareholders may participate at the Virtual Information Session via electronic means by:</p> <p>(a) accessing the URL in the VIS Confirmation Email and entering the user ID and password to access the live audio-visual webcast; or</p> <p>(b) calling the toll-free telephone number to access the live audio-only stream.</p>
10.00 a.m. on Monday, 28 February 2022	<p>Deadline for Shareholders to register for the live webcast or live audio-only feed of the EGM.</p>
10.00 a.m. on Tuesday, 1 March 2022	<p>Deadline for Shareholders to submit Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote at the EGM.</p>

LETTER TO SHAREHOLDERS

<p>10.00 a.m. on Wednesday, 2 March 2022</p>	<p>Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream and who have been verified by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., will receive an email which will contain the user ID and password details as well as the URL to access the live audio-visual webcast or the toll-free telephone number to access the live audio-only stream (the "Confirmation Email").</p> <p>Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream but who have not received the EGM Confirmation Email by 10.00 a.m. on 2 March 2022, should contact the Company's share registrar by email at bcasmeetings@boardroomlimited.com.</p>
<p>10.00 a.m. on Thursday, 3 March 2022</p>	<p>Shareholders may participate at the EGM via electronic means by:</p> <ul style="list-style-type: none"> (a) accessing the URL in the Confirmation Email and entering the user ID and password to access the live audio-visual webcast; or (b) calling the toll-free telephone number to access the live audio-only stream.

17. ABSTENTION FROM VOTING

Pursuant to Rules 919 and 921(7) of the Listing Manual, the interested person shall abstain, and should undertake to ensure that his associates will abstain, from voting on the resolution approving the Proposed Acquisition.

Mr Sun will abstain, and ensure that his associates (including MGF and MTBLGH) abstain, from voting on Resolution 1, being the ordinary resolution relating to the Proposed Acquisition.

Further, Mr Sun has undertaken to decline, and shall ensure that his associates decline, to accept appointment as proxies to vote and attend at the EGM in respect of the resolution approving the Proposed Acquisition for other Shareholders unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the EGM.

18. CONSENTS

18.1. IFA's Consent

Stirling Coleman Capital Limited, which prepared the IFA Letter, has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular, the inclusion of its name, the statement made on the IFA Letter in Section 11 of this Circular, and all references thereto in the form and context in which they appear in this Circular.

18.2. Company's Appointed Valuer's Consent

LETTER TO SHAREHOLDERS

Cushman & Wakefield VHS Pte. Ltd., which prepared the Company Valuation Report, has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular, the inclusion of its name, the statement made on the Company Valuation Report in Section 4 of this Circular, the summary of the Company Valuation Report in Appendix 2 to this Circular, and all references thereto in the form and context in which they appear in this Circular.

18.3. Vendor's Appointed Valuer's Consent

Savills Valuation and Professional Services (S) Pte. Ltd., which prepared the Vendor Valuation Report, has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular, the inclusion of its name, the statement made on the Vendor Valuation Report in Section 4 of this Circular, the summary of the Vendor Valuation Report in Appendix 3 to this Circular, and all references thereto in the form and context in which they appear in this Circular.

19. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (other than information relating to the Target Group, the Vendor and the rights to distribute the Products, including in particular Section 2 of this Circular (the "**Third Party Information**")) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular (other than information relating to the Third Party Information) constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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

20. VENDOR'S DIRECTORS' RESPONSIBILITY STATEMENT

The Vendor's Directors collectively and individually accept full responsibility for the accuracy of the information in Section 2, Appendix 1 and Appendix 3 to this Circular to the extent that they relate to the Vendor and the Target Group as well as any other information relating to the Vendor, the Target Group and the rights to distribute the Products in this Circular (collectively, the "**CIG Disclosure**") and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the CIG Disclosure constitutes full and true disclosure of all material facts about the Vendor, the Target Group and the rights to distribute the Products for the purposes of the Proposed Acquisition, and the Vendor's Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

21. FINANCIAL ADVISOR'S RESPONSIBILITY STATEMENT

To the best of the Financial Advisor's knowledge and belief, this Circular constitutes full and true disclosures of all material facts about the Proposed Acquisition, the Company and its subsidiaries and the Financial Advisor is not aware of any facts the omission of which would make any statement in this Circular misleading.

22. DOCUMENTS AVAILABLE FOR INSPECTION

LETTER TO SHAREHOLDERS

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 15 Tuas South Street 13 Singapore 636936 for a period of three (3) months from the date of this Circular:

- (a) the constitution of the Company;
- (b) the Sale and Purchase Agreement;
- (c) IFA Letter;
- (d) the Company Valuation Report;
- (e) the Vendor Valuation Report; and
- (f) the Advice.

Yours faithfully,

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

Dr Tan Khee Giap
Lead Independent Director

APPENDIX 1 – FINANCIAL HIGHLIGHTS OF THE TARGET GROUP

A summary of the unaudited financial statements of the Target Group for the financial year ended 31 December 2021 (“FY2021”) are set out below:

(A) Summary of Unaudited Consolidated Income Statement

	FY2021
	(\$)
Revenue	1,771,244
Cost of goods sold	464,006
Gross Profit	1,307,238
Other income and gains	72,730
Marketing and distribution costs	(237,819)
Administrative expenses	(1,070,231)
Profit / (loss) before income tax	71,918
Income tax expense	(7,259)
Profit / (loss), net of tax and total comprehensive income	64,659

APPENDIX 1 – FINANCIAL HIGHLIGHTS OF THE TARGET GROUP

(B) Summary of Unaudited Consolidated Balance Sheet

	As at 31 December 2021 (S\$)
Assets	
Non-current assets	
Property, Plant and Equipment	444,443
Lease improvement	89,806
Right-of-use asset	257,135
Intangible asset	1,883,464
Total non-current assets	2,674,848
Current Assets	
Trade and other receivables ¹⁴	3,120,386
Cash and cash equivalents	108,174
Inventories	670,751
Total current assets	3,899,311
Total assets	6,574,159
Equity	
Share capital	5,754,780
Retained earnings	(372,982)
Foreign currency translation reserve	(502)
Total equity	5,381,296
Non-current liabilities	
Lease liability	104,272
Provision	25,000
Total non-current liabilities	129,272
Current Liabilities	
Trade and other payables	905,968
Lease liability	150,364
Income tax payables	7,259
Total current liabilities	1,063,591
Total liabilities	1,192,863
Total equity and liabilities	6,574,159

¹⁴The Vendor and the Target Group have confirmed that the other receivables will be collected no later than Completion of the Proposed Acquisition. Please see Section 2.4 of the Circular for the Board's assessment on the collectability of the Target Group's trade receivables.

APPENDIX 2 – SUMMARY OF COMPANY VALUATION REPORT

Valuation of 100% equity interest in the capital of
the Target Group (as defined herein)

Prepared for

AEI Corporation Ltd

Report Date

9 February 2022

Ref: 21/BV/RV-AN/0214-2

Executive Summary

Valuation of 100% equity interest in the capital of the Target Group (as defined herein)

Valuation Date:	30 September 2021
Purpose:	Public disclosure purpose
Situation/Background:	<p>Established since 1983, AEI Corporation Ltd ("AEI" or "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange. As the aluminium extruder with cutting-edge technology production facilities in Singapore, the Company is mainly engaged in the manufacturing of high quality precision aluminium extrusion products and precision metal components for a diverse range of technology and value-added industries. As part of the business diversification, the Company is considering to acquire MTBL Global Pte. Ltd. ("MTBL" or "Target") and its wholly owned subsidiaries, namely MTBL Global (Hong Kong) Limited ("MTBL HK"), MTBL Global USA Inc. ("MTBL USA") and MTBL Global Australia Pty Ltd ("MTBL Australia") (collectively, "Target Group") ("Proposed Acquisition") and the Proposed Acquisition is expected to be subjected to extraordinary general meeting of the Company to seek its shareholder's approval.</p> <p>As a result of the Proposed Acquisition, we have been requested to perform a valuation of 100% equity interest in the capital of the Target Group as at 30 September 2021 ("Valuation Date").</p>
Description of the Target Group:	<p>Incorporated in 2018 in Singapore, the Target is in the business of exclusively distributing Moutai Bulao liquor 125ml (茅台不老 125ml) ("Moutai Liquor") in worldwide, including Hong Kong, Macau and Taiwan but save for Mainland China. We understand that the Target is 100% wholly-owned subsidiary of Capital Impetus Group Limited ("CIGL") who had signed a distribution agreement with 东营圈里圈外国际贸易有限公司 ("东营" or "Dong Ying") on 29 November 2018 ("Distribution Agreement") to exclusively distribute Moutai Liquor in worldwide, including Hong Kong, Macau and Taiwan but save for Mainland China. The Distribution Agreement commenced from 29 November 2018 and will expire on 31 December 2027. On 6 December 2018, the Distribution Agreement was transferred from CIGL to the Target. Prior to the execution of the Distribution Agreement, we understand Dong Ying had signed a distribution agreement with Guizhou Moutai Winery (Group) Health Wine Co., Ltd. ("GZMT"), the manufacturer of Moutai Liquor on 21 May 2018 to exclusively distribute Moutai Liquor in worldwide.</p>
Subject Matter:	100% equity interest in the capital of Target Group

Valuation of 100% equity interest in the capital of the Target Group (as defined herein)

Basis of Valuation:	Market Value
Valuation Approach:	Income Approach
Other Details:	<p>We wish to highlight that any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.</p> <p>The outbreak of the Novel Coronavirus (“COVID-19”), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.</p> <p>The market that the Target Group is valued in is being impacted by the uncertainty that COVID-19 outbreak has caused. Market conditions are changing daily at present. This valuation is current at the Valuation Date only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer (as defined herein) could not reasonably have been aware of as at the Valuation Date). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. As such, we recommend that the user(s) of this report review this valuation periodically.</p>

Having regard to the foregoing and the market conditions as at the Valuation Date, we are of the opinion that the Market Value of 100% equity interest in the capital of the Target Group as at Valuation Date, subject to the assumptions stated herein, is in the region of:-

S\$11.7 million to S\$13.9 million

This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.

A Valuation Report

To: AEI Corporation Ltd
Subject Matter: 100% equity interest in the capital of Target Group
Report Date: 9 February 2022
Valuation Date: 30 September 2021

1. Introduction and Instructions

Appointment

In accordance with your instructions, we have assessed and ascertained the Market Value of 100% equity interest in the capital of the Target Group. We are pleased to submit our summarised valuation report (“Report”), which has been prepared for public disclosure purpose to seek shareholders’ approval pursuant to the Proposed Acquisition and should be read in conjunction with the full valuation report dated 9 February 2022 (“Full Report”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the Full Report.

2. Terms of reference

Cushman & Wakefield VHS Pte Ltd (“C&W” or “Valuer”) has been appointed to undertake an independent valuation of 100% equity interest in the capital of Target Group. We were neither a party to the negotiations entered into by the Group in relation to the Proposed Acquisition nor were we involved in the deliberation leading up to the decision on the part of the management of the Company, Group, Target and/or Target Group to enter into the Proposed Acquisition (as the case may be) and we do not, by the Report or Full Report or otherwise, advise or form any judgement on the merits of the Proposed Acquisition. We do not warrant the merits of the Proposed Acquisition or the acceptability of the risk for the Proposed Acquisition.

We have confined our evaluation strictly and solely on the financial of the Target Group and have not taken into account the commercial/financial risks and/or merits (if any) of the Proposed Acquisition or the strategic merits or the comparison with other deals involving shares of the Company, Group, Target and/or Target Group. We were not required to comment on or evaluate the methods or procedures used by the Target Group to manage the change in any risk profile of the Company, Group, Target and/or Target Group in the context of possible changes in the nature of operations. Such evaluation or comment remains the responsibility of the management of the Company, Group, Target and/or Target Group although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in the Report or the Full Report.

We were not requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Proposed Acquisition. In addition, we do not

express any views or opinion on the merits of the Proposed Acquisition, the legality or all other matters pertaining to the Proposed Acquisition, documents for the Proposed Acquisition (the notice of meeting and the accompanying explanatory notes), *inter alia*, the independence of any party or mechanism or process of voting, acceptance, its eligibility or validity or the other alternatives (if any) or the sufficiency of information.

In the course of our evaluation, we have held discussions with, *inter alia*, the management of the Company, Group, Target and/or Target Group, regarding their assessment of the Proposed Acquisition and have examined publicly available information collated by us as well as the financial information, both written and verbal, provided to us by the Target and/or Target Group's management (the "Management"), including its consultants or advisers (where applicable). We have not independently verified such information but have made enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or the manner in which it has been classified or presented.

We do not warrant and have not commented on the acceptability of the risk that the Company, Group, Target and/or Target Group may be subject to for the Proposed Acquisition.

We were not required to and have not made any independent evaluation or appraisal of the individual assets and liabilities (including without limitation, real property) of the Target Group. Our opinion in this Report is based on economic conditions, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as at the Valuation Date. Accordingly, the bases or assumptions and likewise our views or opinion may change in light of developments which *inter alia*, includes general as well as company specific or industry specific conditions or sentiments or factors.

Shareholders should note that the evaluation is based solely on publicly available information and other information provided by the Management as well as the economic and market conditions prevailing as at the Valuation Date, and therefore does not reflect unexpected financial performance and/or financial condition after the Valuation Date or developments both macro and company specific and that these factors do and will necessarily affect the valuation of the interests in the capital of the Target Group. Likewise, this Report outlines some of the matters or bases or factors or assumptions which we have used in our valuation and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in the valuation.

In rendering the opinion, we have made no regard for the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual shareholder of the Company, Group, Target and/or Target Group (the "Shareholder"). As such, any individual Shareholder who may require advice in the context of his or her specific investment portfolio, including his or her investment in the Company, Group, Target and/or Target Group, should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Report and provided by the Company, Group, Target and/or Target Group which we used or may have used may differ from the relative emphasis accorded by any individual Shareholder and that any reliance on our opinion or view or assessment, is subject to the contents of the Report and the Full Report in its entirety.

Accordingly, our Report, Full Report or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Company, subject to the terms of reference and the contents of the Report and Full Report as one of the basis for their opinion or views or recommendation. In addition, any references to our Full Report or Report or opinion or views, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of the Report or the Full Report in its entirety *inter alia* the matters, conditions, assumptions, factors and bases as well as our terms of reference for the Full Report or the Report.

3. Bases of Valuation

The valuation and Report have been prepared in accordance with International Valuation Standards.

Bases

The subject matter has been valued on the basis of Market Value which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

4. Assumptions and Reservations

Assumptions

In preparing our assessment, we have made the following key assumptions in our valuation and these apply throughout unless otherwise stated:

- The financial information provided accurately reflects the Target Group's financial and operating position and performance.
- The financial statements were prepared in accordance with accounting principles generally accepted internationally on a true and fair basis.
- The Management has provided us the financial projections from the financial period from 1 October 2021 to 31 December 2021 ("FPDec2021") to the financial year ended ("FY") 2027. To its best knowledge, the Management is solely responsible for the contents, estimation and the assumptions used in the projections.
- The Target Group shall continue to operate as a going concern and it has sufficient liquidity to achieve the financial forecasts and projections.

- There is no early termination of the Distribution Agreement and the Target Group is able to obtain the necessary waiver from its supplier for any breach of the terms of the Distribution Agreement.
- There will not be any material changes in the political and/or economic conditions under which the Target Group operates that may adversely affect the future prospects of the Target Group.
- There are no other liabilities, including any contingent liabilities, unusual contractual obligations or substantial commitments which would have a material effect on the value of the Target Group.
- The current owners of the Target Group have clear and unencumbered title of ownership over all assets included in this assessment.
- There are no material changes in existing political, legal or regulatory (including changes in legislation, laws, regulations, government policies or rules), fiscal, market or economic conditions in the Target Group's countries of operations.
- There will be no material change in inflation, interest rates or exchange rates from those prevailing as at the Valuation Date.
- There will be no material changes in the bases or rates of taxation or duties.
- The Target Group's operations and business will not be severely interrupted by any force majeure event or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Management, including but not limited to the occurrence of natural disasters or catastrophes, epidemics or serious accidents.

Other assumptions specific to a particular valuation approach or certain observations and conclusions are outlined in the ensuing sections of the Report.

It should be noted that the valuation of the Target Group critical upon the following key value drivers:

- The Target Group continues to operate as a going concern and is able to meet all its financial obligations.
- The Target Group's sales, costs, and net profit continue to grow according to the forecast. Their capital expenditure and working capital requirements are estimated accurately in the projections;
- The Target Group has sufficient operational resources to support the projected turnover and profitability;
- The Target Group continues to maintain costs in accordance with the forecast;

Any deviation from the above key drivers and forecasts may significantly vary the valuation of the Target Group.

The valuation is largely based on information provided to us by the Management who are solely responsible for their contents/accuracy. We have not performed any work in the nature of an audit, due diligence or investigation of the information provided to us and accordingly have not expressed any such opinion in this Report. Further, we have not carried out any work in the nature of a feasibility study, nor have we expressed a viability opinion on the Proposed

Acquisition. We have also not verified or confirmed information provided to us and have assumed that all such information is accurate and is not subject to material error or omission.

For this exercise, we have considered published market data and other public information relating to the comparable companies on international stock exchanges. We are not responsible as to their content and accuracy in deriving parameters such as country risk rate for purposes of valuation. Such information was obtained from Bloomberg and other sources, where applicable.

Reservations

The value conclusions reflect all information known by the valuers of C&W who worked on the valuation in respect to the equity interest in the capital of the Target Group, market conditions and available data.

5. General Comment

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a lessee, or another valuer. Historically, it has been considered that valuers may properly conclude within a range of possible values.

Market Value of the subject matter can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the Valuation Date was to change.

The outbreak of the COVID-19, declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

The market that the Target Group is valued in is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. This valuation is current at the Valuation Date only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the Valuation Date). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. As such, we recommend that the user(s) of this report review this valuation periodically.

We have no present or prospective interest in the Target Group and are not a related corporation of nor do we have a relationship with the owner(s) or other party/parties whom the client is contracting with.

The valuers’ compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Company, Group, Target and/or Target Group the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that the valuers undertaking the valuation are authorized to practice as valuers and have the necessary experience in valuing similar types of assets. Any discrepancies in tables included herein between the amounts and the totals thereof are due to

rounding; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

6. Valuation Methodology

We have considered the 3 valuation approaches namely Cost Approach, Income Approach and Market Approach and have adopted Income Approach as our primary approach with Market Approach as reference.

The rationale for adopting Income Approach lies in the present value rule, i.e. the value of any asset or enterprise value is the present value of expected future cash flows, discounted at a rate appropriate to the risk of the cash flows not being realised. Given that the Target Group had ongoing business and operation to generate future cash flows, we considered the use of Income Approach as the primary approach to be appropriate.

Under Market Approach, we have considered P/B multiple in the valuation. Based on our analysis, the volatilities from the multiples of Comparable Companies make it difficult to conclude a reliable amount for the valuation by adopting the result from a single market multiple approach and no single company was comparable in size, capital nature of business and operations. Further, the Target Group is still at its growth stage and the current earnings are not normalised. Thus, Market Approach is used as reference.

The Cost Approach is not adopted as reference only because it does not directly incorporate information about the future economic benefits contributed by the subject asset, business or business interest.

Accordingly, we have relied solely on Income Approach in assessing the equity value of the Target Group and the Market Approach as a reference.

Income Approach - Discounted Cash Flow Analysis

Discounted Cash Flow (“DCF”) Method is one application of income approach. We have used free cash flow to firm (“FCFF”) to assess the overall enterprise value of the companies. FCFF represents the cash flows left over after covering capital expenditure and working capital needs. The present value of FCFF is a measure of enterprise value and the equity value is subsequently derived after taking into consideration debt, excess cash and cash equivalents as well as non operating assets/liabilities. FCFF is defined as follows:

$$FCFF = EBIT (1 - Tax rate) + Depreciation and Amortization - Capital Spending - Change in Working Capital$$

In applying the DCF method there are three critical inputs:

- A supportable cash flow forecasts;
- An estimate of the terminal value at the end of the forecast period; and
- An appropriate discount rate by which to revert the cash flows to present value.

The assumptions used in the DCF analysis are set out in the following sections.

- **Financial projections**

Management has provided us with detailed 6 year financial projections from FPDec2021 to FY2027. The financial forecasts are used as the basis for the DCF and we are of the opinion that the financial forecasts are in-line with the accompanying assumptions provided by Management. Details of the FCFF is shown as follows:

SGD'000, unless otherwise specified	FPDec2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Revenue	2,040	10,211	32,566	56,280	107,731	134,815	139,833
EBIT	912	(2,166)	1,004	4,793	23,215	30,202	33,964
Less: Tax expenses @ 17%	-	-	-	(815)	(3,947)	(5,134)	(5,774)
Add: Depreciation & amortisation	121	1,205	2,042	3,000	4,216	5,254	5,104
Less: Capital expenditure	(327)	(3,666)	(4,183)	(4,789)	(6,143)	(5,339)	(3,496)
Less: Net working capital	(894)	(2,972)	(9,178)	(6,994)	(11,731)	(822)	6,818
FCFF	(189)	(7,598)	(10,316)	(4,805)	5,611	24,160	36,616

- **Capital expenditure**

Based on discussion with Management, the capital expenditure is expected to range from S\$0.3 million per annum to S\$6.1 million per annum between FPDec2021 to FY2027. Please refer the table below for the breakdown on projected capital expenditure:

SGD'000, unless otherwise specified	FPDec2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Capital expenditure for minimum maintenance	61	255	814	1,407	2,693	3,370	3,496
Maonline licensing fee for the 5 containers	136	-	-	-	-	-	-
Cost to set up cultural centre	-	2,537	2,071	1,584	1,616	-	-
20% downpayment for vending machine installation and development cost	130	873	1,299	1,798	1,834	1,969	-
Total capital expenditure	327	3,666	4,183	4,789	6,143	5,339	3,496

- **Changes in working capital**

Management expects that the trade receivables, inventories and trade payables will increase in line with the projected increase in revenue and cost of goods sold (as the case may be). The underlying net working capital assumptions are set out as follows:-

- Inventories turnover days: 99 to 960 days
- Trade receivables turnover days: 33 to 57 days
- Trade payables turnover days: 27 to 289 days

- **Terminal value**

As the Distribution Agreement would be expiring as at FY2027 and the Target Group had not been meeting the sales target indicated in the Distribution Agreement for the period between FY2019 to FY2020, we have ascertained the terminal value based on the present value of the net working capital of the Target Group as at FY2027.

- **Discount rate**

Income Approach requires the application of an appropriate discount rate that reflects the inherent risks relating to the cash flows. The present value of the cash flows from Target Group is the expected future net cash flows discounted by an appropriate discount rate. We have adopted Weighted Average Cost of Capital (“WACC”) ranging from 22.0% to 24.0%.

- **Debt & non-operating payables and cash & other surplus**

In order to arrive at 100% equity value of the Target Group from the enterprise value, the existing debt & non-operating payables are subtracted and surplus assets are added. As at the Valuation Date, the Target Group had approximately S\$4.3 million of debt & non-operating payables which mainly comprises the present value of the remaining lease payment of vending machine and other non-operating payables. Besides, the Target Group had about S\$1.6 million of cash & other surplus mainly consist of amount due from related parties and Tianjin Prosperous Chinese Food, deposit & prepayments and cash & bank balances.

- **Adjustment for private company discount (marketability discount)**

According to the International Glossary of Business Valuation Terms, marketability means the relative ease and promptness with which a security or commodity may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of the sale. Investors will price in a discount for the additional costs and risks of liquidation when valuing equity in privately held companies. We applied a marketability discount of approximately 20% for the purpose of this valuation.

- **Market Value of 100% equity interest in the capital of the Target Group**

Based on the DCF method, the derived 100% enterprise value of Target Group ranges from S\$17.4 million to S\$20.1 million as at Valuation Date. The value of 100% equity interest in the capital of the Target Group is then derived by taking enterprise value, subtracting debt & non-operating payables, adding surplus assets and applying the marketability discount. As at the Valuation Date, the Target Group has debt & non-operating payables of S\$4.3 million and cash & other surplus of S\$1.6 million. A marketability discount of 20% is applied to reflect the private status of Target Group.

As such, based on DCF Method, the Market Value of 100% equity interest in the capital of Target Group as at the Valuation Date ranges from S\$11.7 million to S\$13.9 million.

7. Valuation Result

Having regard to the foregoing and the market conditions as at the Valuation Date, we are of the opinion that the Market Value of 100% equity interest in the capital of the Target Group as at Valuation Date, subject to the assumptions stated herein, is in the region of:-

S\$11.7 million to S\$13.9 million

As requested by the Management, the following table illustrates the results of the valuation based on DCF method assuming the Target Group would be able to renew the Distribution Agreement at zero cost when it expires in FY2027 which is just for illustration purpose only while the valuation based on the Market Approach is just for reference purposes only and do not reflect Market Value of 100% equity interest in the capital of the Target Group as at Valuation Date.

SGD (million), unless otherwise specified	Low	High
P/B	4.0	14.0
DCF method for illustration purpose only*	12.3	14.9

Note:-

*DCF method assuming the Target Group would be able to renew the Distribution Agreement at zero cost when it expires in FY2027 which is just for illustration purpose only.

8. Confidentiality

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

9. Disclosure and Publication

You must not disclose the contents of the Report and/or Full Report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or the Report and/or Full Report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any special assumptions or departures that we have made.

10. Limiting Conditions

This Report is prepared subject to the Limiting Conditions in Appendix 1 of the Report.

11. Valuer's Credential

The valuation is performed by Richard Yap who is a senior corporate advisory executive with more than 10 years of experience in M&A, valuation of business, financial instruments and intangible assets and has worked extensively throughout Asia Pacific. He has demonstrable success across Valuations, Advisory and Capital Markets. Currently based in Singapore, Richard leads the Business Valuation team for C&W throughout Singapore and South East Asia. Richard is a Chartered Financial Analyst (CFA), Chartered Accountant (CA Singapore) as well as Chartered Valuer and Appraiser (CVA).

Signed for and on behalf of C&W.

Richard Yap

CFA, CA (Singapore), CVA

Director

Appendix 1 Limiting Conditions

The report is prepared subject to the following terms and conditions: -

- 1) The report is:
 - a. restricted to the use by the client to whom this report is addressed;
 - b. for the specific purpose stated therein; and
 - c. for the sole purpose for which it was commissioned.

Any reliance on its contents shall be made within a reasonable time from the Valuation Date. We disclaim any liability arising from any reliance on the valuation report by any other person or for any other purpose or beyond a reasonable time.

- 2) Neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular, statement, correspondence nor publication in any way without our prior written approval of the form and context in which it may appear. We bear no responsibility for any unauthorised inclusion or publication.
- 3) Where it is stated in the report that information has been supplied to us by you or another party, this information is believed to be complete, reliable and accurate and we disclaim all responsibility if this information should later prove not to be so. Where information is given without being attributed directly to another party, it shall be taken that this information has been obtained by our own search of records and examination of documents, or by our enquiry from Government or quasi-Government departments.
- 4) The values assessed in this report for the subject property and any allocation of values between parts of the property apply strictly on the terms of and for the purpose of this valuation (where applicable). The values assessed should not be used in conjunction with any other assessment, as they may prove incorrect if so used.
- 5) While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation or other hidden defects (where applicable). We have also not made any test on the building services such as air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc. and the services are presumed to be in good working order (where applicable).
- 6) Our valuation assumes that the title(s) is (are) in good order and are marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments (where applicable). We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s) (where applicable).
- 7) Any plans that are included in this report are meant for identification purposes and to assist the client in visualising the subject property (where applicable). The plans should not be treated as certified true copies of areas or other particulars contained therein. We have not made any survey of the property and assume no responsibility in connection with such matters (where applicable).
- 8) We have not taken into account of any plant and machinery in our valuation.

- 9) We have not made any requisition for the Road Line Plan or for drainage proposal (where applicable). We have also not made any application for information/document in respect of Building Control Records. Such requisitions/applications will not be made unless specifically instructed by our client (where applicable).
- 10) As matters concerning compulsory acquisitions by the Government are confidential, we are unable to provide information relating to Government acquisitions unless the subject property has already been gazette for acquisition (where applicable).
- 11) Our valuation assumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations (where applicable).
- 12) Our valuation assumes that all development charges and maintenance/ service/ conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid (where applicable).
- 13) Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property (ies) (where applicable).
- 14) Subject at all times to the provisions in these terms and conditions and in the letter of engagement, we shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of our services in respect of:
 - a) any direct loss of profit;
 - b) any indirect, special or consequential loss whatsoever howsoever caused including without limitation (i) indirect loss of profit; (ii) loss of business; (iii) loss of goodwill; (iv) loss of use of money; (v) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.
- 15) Subject at all times to the provisions in these terms and conditions and in the letter of engagement, we shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of our services.
- 16) Where you or a third party has caused or contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of such liability.
- 17) Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our services to you (where applicable).
- 18) Subject to the provisions in these terms and conditions and in the letter of engagement, our total aggregate liability (including that of our partners and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of our services shall be limited to (i) an aggregate sum not exceeding the fee paid for each instruction accepted; or (ii) SGD500,000.00, whichever is lower.

- 19) We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.
- 20) Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue with your client partner who will be able to let you have proposals for a revised pricing structure to reflect the agreed level of our liability and/or professional indemnity cover.
- 21) Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However, in the event of us being asked by you to re-address our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to payment of additional fees.

These fees are exclusive of GST & expenses (including the cost of re-addressing the report) and are subject to a minimum fee of SGD1,000. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.
- 22) Where we consent to reliance on our report by another party or other parties, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of engagement between us. Where we consent to such reliance, you agree to furnish the addressee with a copy of any reliance letter issued by us and/or a copy of these terms and conditions.
- 23) Where you provide a copy of and/or permit another party or parties to rely upon our valuation report without obtaining our express written consent (in accordance with clauses 21 and 22 above), you agree to indemnify and us, our affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including reasonable attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the valuation report by any such unauthorised person or entity.
- 24) Save where we have consented to another party or other parties relying on the valuation report in accordance with clauses 21 and 22, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of a public offering in accordance with any stock exchange listing rules, you agree to indemnify us for any liability whatsoever that we have to any party or parties which exceeds our aggregate cap on liability (referred to in clause 18) which arises from their use and/or reliance on the valuation report.
- 25) Where reference is made to "Reinstatement Cost for Insurance Values", such insurance value is the value of property on the appropriate basis as defined in the insurance contract or policy (where applicable).
- 26) Where reference is made to "Forced Sale Value", such value is the amount that may reasonably be received from the sale of a property under (forced sale) conditions that do not meet all the

criteria of a normal market transaction. Such Forced Sale Value is not a representation of the market value (where applicable).

- 27) The report is prepared on the basis that we are not required to give testimony or appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we are properly reimbursed.
- 28) We retain ownership of the intellectual property rights in the valuation report and we provide you with an irrevocable, non-transferrable and royalty-free license (with no right to sub-licence) to use the intellectual property for the purpose or purposes stated in the valuation report.
- 29)
- a) In connection with performance of this agreement, each party represent and warrant to the other party that they comply with, will comply with, and will not cause the other Party to violate, all applicable laws related to anti-bribery or anti-corruption (“**Anti-Corruption Laws**”), including, but not limited to, the U.S. Foreign Corrupt Practices Act (15 U.S.C. §§ 78dd-1 et seq.), and the UK Bribery Act of 2010.
 - b) You represent and warrant that:
 - (i) in connection with performance of this agreement, you and your shareholders, directors, officers, or employees comply with, will comply with, and will not cause us to violate applicable laws related to the import and export of goods, technology and services, economic or financial sanctions, trade embargoes, or other restrictions on trade (“**Sanctions & Trade Controls**”), including, but not limited to, sanctions laws and regulations of the United States (as administered and enforced by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“**OFAC**”) and U.S. Department of State), the U.S. Export Administration Regulations (31 C.F.R. Parts 730-774), the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130), U.S. antiboycott regulations (as administered and enforced by the U.S. Department of Commerce’s Office of Antiboycott Compliance and the U.S. Department of the Treasury’s Internal Revenue Service), and sanctions laws and regulations of the United Kingdom (as administered and enforced by Her Majesty’s Treasury), provided that the representations and warranties contained in this Clause b(i) are given only to the extent that they would not result in a violation of or conflict with Council Regulation (EC) No. 2271/96, as amended (or any law or regulation implementing such Regulation in any member state of the European Union or any equivalent law or regulation in the United Kingdom), the German Foreign Trade Act or any similar, applicable anti-boycott or blocking law or regulation;
 - (ii) in connection with performance of this agreement, you and your shareholders, directors, officers, or employees comply with, will comply with, and will not cause us to violate applicable laws related to money laundering, terrorist financing, or related financial recordkeeping and reporting requirements (“**AML Laws**”), including, but not limited to, the Bank Secrecy Act (31 U.S.C. §§ 5311 et seq.), Money Laundering Control Act of 1986 (18 U.S.C. §§ 1956 et seq.), USA PATRIOT Act, EU Money Laundering Directives,

UK Prevention of Terrorism Act 2005, UK Serious Organised Crime and Police Act 2005, UK Money Laundering Regulations 2003, UK Proceeds of Crime Act 2002, and UK Anti-Terrorism, Crime and Security Act 2001;

- (iii) neither you nor any of your shareholders, directors, officers, or employees (i) is blocked, debarred, designated, excluded, sanctioned, or denied import or export privileges under applicable Sanctions & Trade Controls and/or AML Laws; (ii) located in, resident in or organized under the laws of a country or territory which is a subject of country-wide or territory-wide Sanctions and Trade Controls at the date of the this Agreement, Crimea, Cuba, Iran, Syria or North Korea); or (iii) owned (with a 20% or greater interest) or controlled by any person identified in (i) (collectively, "**Restricted Persons**"); and
- (iv) in connection with performance of this agreement, you are not engaged in, and will not knowingly engage in, any dealings or transactions or be otherwise associated with Restricted Persons in violation of Applicable Law or provided that, if a person is considered a Restricted Person solely based on its inclusion in a relevant list, but its inclusion on that list is limited to a specific purpose or purposes, that person would be considered a Restricted Person only with respect to that specific purpose or purposes and not any other purpose or purposes.

c) Notice

If, at any time, you become aware that any of the representations set out in Clause b are no longer accurate, you will notify us immediately in writing.

d) Termination

We will have the unilateral right, exercisable immediately upon written notice, to terminate this agreement and will be entitled to receive payment of the fees for services rendered pursuant to this agreement together with any and all reasonable additional costs incurred due to such early termination in the event that:

- (i) in connection with performance of this agreement, you violate, or causes us to violate, applicable Anti-Bribery Laws and Rules or Sanctions and AML Laws;
- (ii) we believe in good faith that you have acted in a way that may subject us to liability under applicable Anti-Bribery Laws and Rules or Sanctions and AML Laws; or
- (iii) you or any of your direct or indirect shareholders becomes a Restricted Person.

APPENDIX 3 – SUMMARY OF VENDOR VALUATION REPORT



Savills Valuation and
Professional Services (S) Pte. Ltd.
Reg No : 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T : (65) 6836 6888
F : (65) 6536 8611

savills.com

18 November 2021

The Director

Capital Impetus Group Limited
3 Temasek Boulevard, #03-300/301
Suntec City Mall
Singapore 038983

Attention: Mr. Sun Quan, Director

INDEPENDENT VALUATION SUMMARY LETTER

Dear Mr. Sun,

1. Introduction

Savills Valuation and Professional Services (S) Pte. Ltd. ("Savills" or "we") has been appointed by the Director of Capital Impetus Group Limited ("CIGL" or the "Company") to perform valuation of 100% equity interest in MTBL Global Pte. Ltd. (the "Target") as at 30 September 2021 (the "Valuation Date") for MTBL's business injection into AEI Corporation Ltd. ("AEI") (the "Purpose").

This letter (the "Letter") has been prepared for the purpose of incorporation to the circular to be issued by AEI in relation to the proposed business injection of MTBL into AEI (the "Proposed Transaction") and is a summary of the information contained in our valuation report dated 18 November 2021 (the "Report"). Accordingly, the Letter should be read in conjunction with the full text of the Report.

2. Terms of Reference

Savills has been appointed by the Director of the Company to perform valuation of 100% equity interest in the Target as at the Valuation Date for the Purpose.

We are not expressing an opinion or any form of assurance on the merits of any transaction including the Proposed Transaction. Accordingly, the Letter and the Report do not purport to contain all the information that may be necessary or desirable to fully evaluate the merits of the Proposed Transaction. The assessment of the merits of the Proposed Transaction is solely the responsibility of the Director of the Company. Additionally, our work does not constitute any buy or sell recommendations and should not be considered as providing any commercial, financial, investment, divestment and legal advice to the Company and any other parties concerned. Our work cannot replace any managerial decision or judgment/recommendation made by the Director.

We do not evaluate or comment on the commercial, financial, investment, divestment, and legal merits and/or risks of any transaction including the Proposed Transaction.

Use of the Letter and the Report

The Letter and the Report are addressed solely to, and for the use and benefit of the Director of the Company for the Purpose, and accordingly neither the Letter nor the Report may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the current and prospective shareholders of the Company and/or the Target and/or AEI). If others choose to rely in any way on the contents of the Letter and the Report, they do so entirely

at their own risk. Any recommendation made by the Director to the shareholders of the Company shall remain the responsibility of the Director.

Reliance on Information and Representation

Our work is not of the same nature as an audit. Instead, our work is in the nature of a review of the information provided to us and discussions with the Company and/or the Target's management (the "Management").

In the course of our work, we have held discussions with the Company and the Management. We have also relied upon information provided to us by the Company and the Management. In particular, we have relied upon various explanations provided by the Company and the Management with regard to the Target, and financial information obtained through discussions and email correspondences during the course of this engagement. We have assumed such information is reliable, accurate, complete and without omission of material facts.

We have not audited or otherwise verified all the information provided by the Company and the Management and therefore will not check the accuracy of the information or any explanations provided. Instead, we will be relying on the representations from the Company and the Management regarding the reliability, accuracy and completeness of the information provided to us. We will not be liable for any loss or damage arising from information material to our work being withheld or concealed from us or misrepresented to us by the Company and the Management or any other person of whom we make enquiries.

The Management have also confirmed that, to the best of their knowledge and belief, that all material information available to them with respect to the Target that is relevant for the Purpose, has been disclosed to us and that such information is reliable, accurate and complete in all material aspects, and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate, incomplete or misleading in any material respect.

We have also performed our own research from publicly available information to gather industry information, analyses, and comments. We are not responsible for the accuracy of the data provided by such external sources.

3. Valuation Methodology

Basis of Value

The basis of value describes the fundamental premise on which the reported value will be based. We have adopted market value which, according to International Valuation Standards published on 31 July 2021 ("IVS"), is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Selection of Valuation Approach and Method

We have adopted the Discounted Cash Flow ("DCF") Method under the Income Approach as our primary method for the valuation analysis of 100% equity interest in the Target.

In our valuation cross-check, we have adopted the Guideline Publicly-traded Comparable ("GPC") Method and Comparable Transactions Method under the Market Approach. In particular, we compared the next twelve months EV/Revenue and EV/EBITDA multiples implied by valuation results derived from DCF Method to those of GPC companies and comparable transactions.

Key Assumptions

Our valuation is based on various assumptions with respect to the Target, including its present and future financial condition, business strategies, and the environment in which they will operate in the future. These assumptions are based on the information that we have been provided and our discussions with the Company and the Management and reflect current expectations and views as at the Valuation Date regarding future events, and therefore necessarily involved known and unknown risks and uncertainties.

The estimates of earnings and cash flow data, to the extent they relate to the future, reflect the expectations of the Management as to the business prospects of the Target and are solely used in our valuation analysis and are not intended for use as forecasts or projections of future operations. Furthermore, there will usually be differences between the estimated and actual results because events and circumstances may not occur as expected and those differences may be material.

We have set out in the Report the key assumptions used in our valuation as well as risk factors that, in our opinion, may have a material impact on the valuation of the Target. It should be noted that it is not an exhaustive list of all risk factors relevant to the Target.

4. Conclusion

In summary and as detailed in the Report, which should be read in conjunction with this letter to the Director, the market value of 100% equity interest in the Target as at the Valuation Date are summarised in the table below.

Description	Valuation Range (S\$m)
Market value of 100% equity interest in the Target as at the Valuation Date	23.7 to 26.1

Our valuation conclusion is based on the prevailing economic, market, industry, regulatory, and other conditions as at the Valuation Date and on the information made available to us as of the date of the Report. These conditions may change significantly over a relatively short period of time. We assume no responsibility and are not required to update, revise or reaffirm the valuation results set out in the Letter and the Report to reflect events or developments subsequent to the date of the Letter and the Report.



Yours sincerely,
For and on behalf of
Savills Valuation and Professional Services (S) Pte. Ltd.

A handwritten signature in black ink, appearing to be "J. Doan Thuan Hai", written over a horizontal line.

Jason Doan Thuan Hai, CVA, CA (Singapore)
Head of Business Valuation & Advisory, South East Asia
Business Valuation & Advisory

APPENDIX 4 – FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

A summary of the financial effects of the Proposed Acquisition on the Group are set out below. For the avoidance of doubt, the financial year end of the Company is 31 December, and the financial year end of the Target Group is also 31 December.

1. Bases

The combined proforma financial effects of the Proposed Acquisition on the Group are based on:

- (a) the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 (“**FY2020**”), being the latest available audited consolidated financial statements of the Group; and
- (b) the unaudited consolidated financial statements of the Target Group for FY2021.

2. Assumptions

For the purposes of illustrating the financial effects of the Proposed Acquisition, the financial effects have been prepared based on, *inter alia*, the above bases and the following assumptions:

- (a) the financial effects of the Proposed Acquisition on the Group’s net tangible assets (“**NTA**”) is computed assuming that the Proposed Acquisition is completed (including payment of the maximum Consideration) on 31 December 2020;
- (b) the financial effects of the Proposed Acquisition on the Group’s earnings per share (“**EPS**”) is computed assuming that the Proposed Acquisition (including payment of the maximum Consideration) is completed on 1 January 2020;
- (c) the Consideration of S\$16,965,000 (comprising the First Tranche Consideration and the Balance Consideration) is paid by the Company to the Vendor;
- (d) the cash consideration of S\$19,000,000 from the Penjuru Disposal was received by the Company on 31 December 2020;¹⁵
- (e) the Proposed Capital Reduction is completed and a cash distribution of S\$31,346,003 is paid out to Shareholders on 31 December 2020;
- (f) costs and expenses in connection with the Proposed Acquisition, the Penjuru Disposal and the Proposed Capital Reduction are disregarded for the purposes of calculating the financial effects;
- (g) the allotment and issue of an aggregate of 12,805,022 new Shares pursuant to the exercise of 3,511,966 Bonus Warrants at the exercise price of S\$1.00 per new Share as announced by the Company on 24 February 2021, 1 March 2021, 3 March 2021, 9 March 2021, 12 March 2021, 16 March 2021, 18 March 2021, 22 March 2021, 25 March 2021,

¹⁵ As announced by the Company on 31 March 2021, completion of the Penjuru Disposal took place on 31 March 2021.

APPENDIX 4 – FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

30 March 202, 5 April 2021, 9 April 2021, 14 April 2021, 20 April 2021, 26 April 2021, 29 April 2021, 4 May 2021, 7 May 2021, 11 May 2021, 17 May 2021, 20 May 2021, 25 May 2021 and 28 May 2021 (the “**Bonus Warrants Exercise**”), is completed in FY2020; and

- (h) the allotment and issue of an aggregate of 19,544,250 new Shares pursuant to the exercise of 19,544,250 option shares at the exercise price of S\$0.80 per new Share as announced by the Company on 5 May 2021, 27 May 2021, 1 June 2021 and 25 June 2021, (the “**Option Shares Exercise**”) is completed in FY2020.

3. Proforma Financial Effects

The financial effects as set out below are prepared in accordance with relevant accounting standards to illustrate the financial effects of the Proposed Acquisition. They are presented strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or the Group.

3.1. NTA

	As at 31 December 2020 [#]	Immediately following completion of the Penjuru Disposal and Proposed Capital Reduction	Immediately following completion of the Penjuru Disposal, Proposed Capital Reduction and Proposed Acquisition
NTA of the Group (S\$'000)	66,629	52,519	38,795
Number of Shares excluding Treasury Shares	87,072,231	87,072,231	87,072,231
NTA Per Share (S\$ cents)	76.5	60.3	44.6

[#]Based on the assumption that the Bonus Warrants Exercise and the Option Shares Exercise were completed in FY2020.

3.2. EPS

	FY2020 [#]	Immediately following completion of the Penjuru Disposal and Proposed Capital Reduction	Immediately following completion of the Penjuru Disposal, Proposed Capital Reduction and Proposed Acquisition
Net profit/ (loss) of the Company and its	(5,638)	11,598	11,663

APPENDIX 4 – FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

**subsidiaries for FY2020
(S\$'000)**

Weighted average number of Shares in issue	87,072,231	87,072,231	87,072,231
Net profit/ (loss) per Share (cents) - Basic and diluted	(6.5)	13.3	13.4

#Based on the assumption that the Bonus Warrants Exercise and the Option Shares Exercise were completed in FY2020.

3.3. Share Capital

The Proposed Acquisition will not have any impact on the issued share capital and shareholding structure of the Company as the Proposed Acquisition does not involve the allotment and issuance of any new Shares in the Company and the Consideration is to be satisfied in cash only.

APPENDIX 5 – LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

**LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS OF
AEI CORPORATION LTD.**

STIRLING COLEMAN CAPITAL LIMITED
(Company Registration No.:200105040N)
9 Raffles Place, Distrii Level 6
Republic Plaza
Singapore 048619

9 February 2022

To: The Recommending Directors of AEI Corporation Ltd. (the “**Company**”)
(Deemed to be non-interested for the purposes of making a recommendation to the Shareholders in respect of the Proposed Acquisition (as defined herein)), namely:

Mr Li Zhibo,
Mr Richard Andrew Smith
Dr Tan Khee Giap,
Mr Siow Chee Keong, and
Mr Chua Wei Ming

Dear Sirs

INDEPENDENT FINANCIAL ADVISER’S ADVICE IN RESPECT OF:

THE PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN MTBL GLOBAL PTE. LTD., BEING A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (THE “PROPOSED ACQUISITION”)

*For the purpose of this letter (“**IFA Letter**”), capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 9 February 2022 to Shareholders (the “**Circular**”).*

1 INTRODUCTION

On 31 December 2020, the Company announced that it had entered into a sale and purchase agreement dated 31 December 2020 (“**Sale and Purchase Agreement**”) with Capital Impetus Group Limited (the “**Vendor**”), pursuant to which the Company shall acquire from the Vendor the entire issued shares in the share capital of MTBL Global Pte. Ltd. (the “**Target**”) (the “**Sale Shares**”), for an aggregate consideration of up to S\$20,000,000 (“**Consideration**”), subject to the terms and conditions of the Sale and Purchase Agreement (the “**Proposed Acquisition**”).

On 3 February 2022, the Company entered into a supplemental agreement to the Sale and Purchase Agreement with the Vendor to, inter alia, amend the profit targets in relation to payment of the balance consideration and exercise of the option, and to extend the long-stop date.

Interested Person Transaction under Chapter 9 of the SGX-ST Listing Manual

The Vendor is regarded as an “interested person” of the Company by virtue of its ownership of the entire issued share capital of China Capital Impetus Asset Management Pte. Ltd. (“**CCIAM**”), which is in turn the investment manager of MTBL Global Fund (formerly known as New Impetus Strategy Fund) (“**MGF**”), a controlling shareholder of the Company.

The Vendor is wholly-owned by Dejoera Investment Limited, which is in turn wholly-owned by Mr Sun Quan (“**Mr Sun**”). Therefore, Mr Sun, who is a director of the Company, is also the indirect sole shareholder of the Vendor. As such, the Vendor is an associate of Mr Sun and thus an “interested person”.

Stirling Coleman Capital Limited ("**Stirling Coleman**") has been appointed as the independent financial adviser ("**IFA**") as required under Listing Rule 921(4)(a), as well as to advise the directors deemed to be non-interested for the purpose of making a recommendation to the Shareholders in respect of the Proposed Acquisition (the "**Recommending Directors**") for the purpose of them making the recommendation to the Shareholders in respect of the Proposed Acquisition. This IFA Letter is therefore addressed to the Recommending Directors and sets out, inter alia, our views and evaluation on the financial terms of the Proposed Acquisition on whether the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and whether it is prejudicial to the interests of the Company and its Shareholders excluding the Interested Persons ("**Independent Shareholders**"). It will form part of the Circular providing, inter alia, the details of the Proposed Acquisition and the recommendation of the Recommending Directors in respect thereof.

2 TERMS OF REFERENCE

We have prepared this IFA Letter pursuant to Listing Rule 921(4)(a) as well as for the use of the Recommending Directors in connection with their consideration of the Proposed Acquisition and their advice and recommendation to the Independent Shareholders in respect thereof. The recommendations made to the Independent Shareholders in relation to the Proposed Acquisition remains the responsibility of the Recommending Directors. For the avoidance of doubt, the Proposed Diversification does not fall within the ambit of this IFA Letter.

We were not involved in any aspect of the negotiations in relation to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decision by the Board to enter into the Proposed Acquisition, and we do not, by this IFA Letter or otherwise, advise or form any judgment on the merits of the Proposed Acquisition other than to form an opinion, as to whether the Proposed Acquisition as an Interested Person Transaction, is based on normal commercial terms and whether it is prejudicial to the interests of the Company and its Independent Shareholders.

In formulating our opinion and recommendation, we have held discussions with the Directors and management of the Company (the "**Management**") and have examined publicly available information and we have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers.

We have relied upon the assurance of the Directors and the Management that all statements of fact, opinion and intention made by the Directors and the Management in the Circular have been reasonably made after due and careful enquiry. We have also relied upon the assurance of the Vendor's Directors that all statements of fact, opinion and intention made by them relating to the Vendor and the Target Group as well as any other information relating to the Vendor, the Target Group and the rights to distribute the Products in the Circular have been reasonably made after due and careful enquiry. We have not independently verified such information but have made such reasonable enquiries and exercised our judgement as we deemed appropriate on such information and have no reason to doubt the accuracy or reliability of the information used for the purposes of our evaluation. Accordingly, we cannot and do not expressly and impliedly represent or warrant, and do not accept any responsibility for the accuracy, or completeness or adequacy of such information or the manner in which it has been classified or presented or the basis of any valuation which may have been included in the Circular or announced by the Company. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. Accordingly, we do not express an opinion herein as to the prices at which the Shares of the Company may trade upon completion of the Proposed Acquisition.

It is not within our terms of reference to compare the relative merits of the Proposed Acquisition vis-à-vis any alternative transaction previously considered by the Management or transactions that the Management may consider in the future, and such comparison and consideration remain the responsibility of the Directors.

We have not made an independent evaluation or appraisal of the assets and liabilities (including without limitation, real property, machinery and equipment) of the Target Company, and we have not been

furnished with any such evaluation or appraisal except for the relevant valuation report by Cushman & Wakefield VHS Pte Ltd (the “**Company’s Appointed Valuer**”) and Savills Valuation and Professional Services (S) Pte. Ltd. (the “**Vendor’s Appointed Valuer**”) (collectively the “**Independent Valuers**”). We are not experts in the evaluation or appraisal of assets and liabilities or the determination of the market value (“**Market Value**”) of the assets of the Target Company and have relied solely on the Independent Valuers in this respect, which we have drawn reference to in this IFA Letter.

In rendering our services, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise you to recommend that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this IFA Letter).

Our recommendation in respect of the Proposed Acquisition as set out in Section 11 of the Circular, should be considered in the context of the entirety of this IFA Letter and the Circular. Where information in this IFA Letter has been extracted from the Circular, Shareholders are urged to read the corresponding sections in the Circular carefully.

3 INFORMATION ON THE PROPOSED ACQUISITION

3.1 The Target Group

MTBL Global Pte. Ltd. (the “**Target**”) holds shareholding interest in MTBL Cultural Centre Pte. Ltd. (“**MTBL Cultural**”), MTBL Global (Hong Kong) Limited (“**MTBL HK**”), MTBL Global USA Inc. (“**MTBL USA**”) and MTBL Global Australia Pty Ltd (“**MTBL Australia**”), all of which are wholly owned subsidiaries of the Target (collectively, the “**Target Group**”, and each a “**Target Group Company**”).

The Target Group is principally engaged in the promotion, sale and distribution of Moutai Bulao 125ml liquor products (the “**Products**”) outside Mainland China. Moutai Bulao is a 53° Baijiu produced by Guizhou Moutai Winery (Group) Health Wine Co., Ltd. (贵州茅台酒厂(集团)保健酒业销售有限公司) (“**Guizhou Moutai**”) in China’s Guizhou province. It is famously used for toasts at Chinese state banquets. Guizhou Moutai is a wholly-owned subsidiary of China Guizhou Moutai Wine Factory Co, Ltd. (中国贵州茅台酒厂(集团)有限责任公司) (“**GZMT Group**”). GZMT Group is the controlling shareholder of Kweichow Moutai Co., Ltd. (贵州茅台酒股份有限公司), China’s most valuable publicly-listed company as at June 2020¹ and one of the world’s most valuable spirits brands.² The Products are made with the core ingredients of sorghum, wheat and water, and make use of traditional brewing techniques.

Further information on the (i) Target Group, including its products, customers, licences, permits and approvals and its sales strategies and channels; (ii) Target Group Companies; (iii) Distribution Rights; (iv) Distribution Agreements; (v) Annual Sales Targets; and (vi) Financial Highlights of the Target Group are set out in **Section 2** of the Circular.

¹ BBC, “Kweichow Moutai: ‘Elite’ alcohol brand is China’s most valuable firm” (30 June 2020) (See <https://www.bbc.com/news/business-53216320>) (Last accessed on 3 February 2022).

² Alcoholic Drinks 2021: The annual report on the most valuable and strongest alcoholic drinks brands issued by Brand Finance in June 2021. Brand Finance is the world’s leading independent brand valuation and strategy consultancy headquartered in London, United Kingdom.

3.2 The Vendor

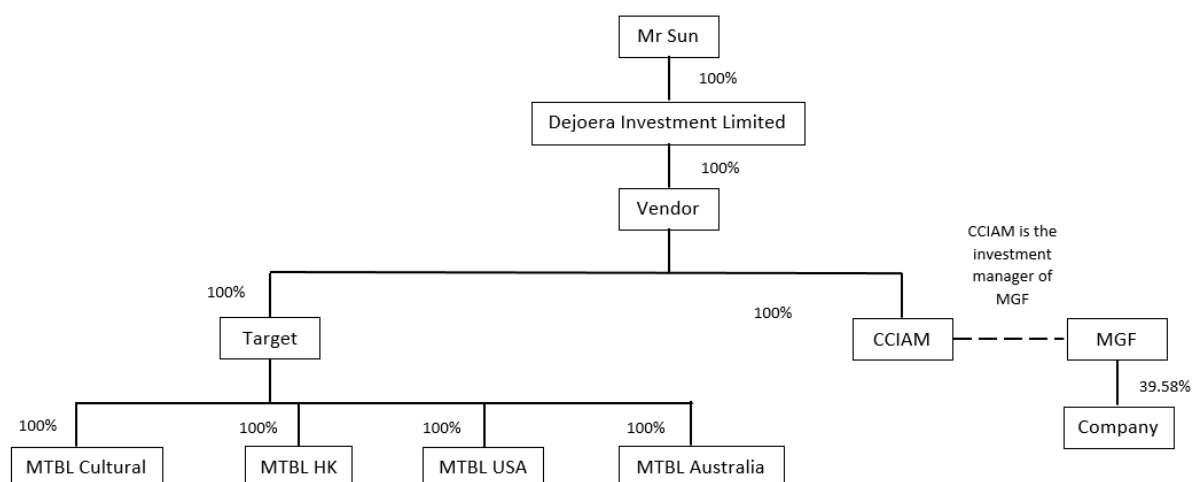
The Vendor is an investment holding company incorporated in the Cayman Islands, having its registered address at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

The Vendor is wholly-owned by Dejoera Investment Limited, which is in turn wholly owned by Mr Sun Quan (“Mr Sun”). Mr Sun is also the Executive Director of the Company.

3.3 The relationship between the Company, the Vendor, Mr Sun and the Target Group

MGF is a substantial shareholder of the Company. CCIAM is the investment manager of MGF, while CCIAM is wholly-owned by the Vendor. The Target is also a wholly-owned subsidiary of the Vendor.

For illustrative purposes, please see the following diagrammatic chart outlining the relationship between the Company, the Vendor, Mr Sun and the Target Group:



Note: For the purposes of clarity, some subsidiaries, associated companies and related companies of Dejoera Investment Limited, CCIAM and the Company (as the case may be), including intermediate holding entities, have not been included.

3.4 Comments from the Independent Directors on the business plan and projections of the Target

The comments from the Independent Directors on the business plan and projections of the Target set out in **Section 2.7** of the Circular is reproduced below.

“The Independent Directors¹ of the Company have assessed the reasonableness of the business plan and the financial projections of the Target both prior to and after the Company’s entry into the Sale and Purchase Agreement. There had been numerous discussions amongst the Independent Directors themselves, discussions with Mr Sun (the Vendor’s representative), discussions with the Financial Advisor and Legal Advisor appointed to advise the Company on the matter, and with the Company’s Appointed Valuer (Cushman & Wakefield VHS Pte Ltd). In these reviews and discussions, a key concern of the Independent Directors was the viability and prospects of the business proposed to be acquired.

The Independent Directors recognized that Moutai Bulao is an established brand of Baijiu and is in great demand in China. It is produced by Kweichow Moutai Co., Ltd., one of the largest listed companies in China. As such, it is of the view that there should be no major issues with the quality and saleability of the Product. The brand recognition of the Product is also strong outside China, particularly to Chinese

¹ The Independent Directors of the Company as at 31 December 2020 (being the date of the Sale and Purchase Agreement), comprised Mr Teng Cheong Kwee (“Mr Teng”), Dr Vasoo Sushilan (“Dr Sushilan”) and Mr Yeung Koon Sang alias David Yeung (“Mr Yeung”). Dr Sushilan and Mr Yeung retired on 28 April 2021, while Mr Teng ceased being a Director on 1 January 2022. As at the Latest Practicable Date, the Independent Directors of the Company comprise Dr. Tan Khee Giap, Mr. Siow Chee Keong and Mr. Chua Wei Ming.

citizens and persons of Chinese descent living or working outside China. Hence, the Product is considered to have good demand potential outside China. A key factor to the growth of the Target Group is how the demand potential can be realised.

In the numerous interactions and discussions between the Independent Directors and Mr Sun, Mr Sun had presented detailed business plans for the marketing and distribution of the Product in Singapore and overseas through restaurants and bars, supermarkets and stores and overseas distributors. Key aspects of these plans included the establishment of a platform for digital marketing that entails smart vending machines being set up in premises of business partners (including restaurants) globally. The Independent Directors note that the Target has made progress in the deployment of the smart vending machines and its engagement with Chinese restaurants interested in placing such smart vending machines in their F&B establishments, as disclosed in **Section 2.1** of the Circular.

The digital marketing platform is designed to offer advantages of scalability and instant access to data on consumers, sales, stock and inventory, as well as instant electronic payment. The Independent Directors note that the Target is partnering with Hive Box Technology, the largest smart vending machine manufacturer in China, to design, manufacture and deploy the smart vending machines selling and displaying the Product. The Target has so far developed four (4) generations of smart vending machines to be deployed according to the varying requirements of sales outlets. This is a positive indicator of the efforts put in by the Target Group in developing its sales platform and infrastructure, which take into account the specific needs of its sales and distribution partners, and its unique approach to retail of the Products through F&B establishments.

The Independent Directors note that the Target has recorded a revenue of S\$1,771,244 for FY2021, notwithstanding the COVID-19 pandemic restrictions, which has severely affected the F&B industry. The Independent Directors note that F&B establishments are themselves searching for novel and efficient ways to attract and serve its customers in light of the significant negative impact of the COVID-19 pandemic on the F&B industry. The Independent Directors therefore recognise that there is strong potential in leveraging on the novelty of smart vending machines to sell the Product to penetrate the overseas Baijiu market through F&B establishments worldwide. The Independent Directors are also confident that the Target's unique strategy of making use of smart vending machines to capture real time sales data will be effective in facilitating stock replenishment and logistics, thus enhancing the sale and distribution of the Products worldwide. Further, the valuable data gathered on product sales and customer profiles will also enable the Target Group to improve its business model, customise promotional activities and deliver added value to both its customers and business partners.

The Independent Directors sought to understand how such systems would work, what sales such systems could generate, how much they would be expected to cost and how they would be financed. The Independent Directors had also asked for the appointment of an independent professional valuer to conduct full assessment and valuation on the Target Group's business. Rounds of discussions were held with the Company's Appointed Valuer, Cushman & Wakefield, to review the reports produced. Questions were raised and Cushman & Wakefield was asked to explain and clarify the bases and assumptions made, including the sale projections used for the purpose of the valuation, how the financial projections compared to historical trends, the operating parameters used for the purposes of the projection period (including the number of overseas distributors the Target Group would have, the number of supermarket outlets selling the Products, and the number of bottles of the Product sold), and the impact of the COVID-19 pandemic. Consideration was also taken of the results of the marketing and sales of the Product undertaken by the Target during the period. The Independent Directors were cognizant that the business projections could also be subject to a greater degree of uncertainty given that the Target Group was still a relatively new company with a relatively short operating record. Adding to this was the COVID-19 pandemic situation that had disrupted the normal operation of businesses since the start of 2020.

Noting that sales of Moutai Bulao liquor outside China is a fraction of that in China, the Independent Directors see significant potential (given time and sufficient resources) in expanding sales of the Product outside China through the optimisation and efficient management of distribution channels. Based on their understanding of the business plans of the Target Group, the Independent Directors judged that there are good long-term prospects in the Target Group's business of the distribution and sale of the Products outside China. Further, the Independent Directors understand that the Target procures the Products from Dongying at a significant discount to the retail price of the Products, providing a strong

basis for the Target Group to be a highly profitable business.

The Independent Directors recognise that there is significant commercial value in the Distribution Rights granted to the Target to market and sell the Products worldwide (except in Mainland China), particularly given the significant value of the Guizhou Moutai brand and that the rights granted are exclusive rights. The Independent Directors also note that the two (2) independent professional valuers had taken into consideration the terms of the Distribution Rights in their valuation of 100% equity interest in the capital of the Target Group. With the necessary investments and resources, the Independent Directors believe that the commercial value of the Distribution Rights has the potential to translate into sales revenue which will improve the financial performance of the Company.

As with many businesses, whether they are new, growing or mature, there would be uncertainties in how the business plans would pan out over time, more so with the uncertainties brought about by the COVID-19 pandemic. Business projections are often subject to uncertainties, and more so, where the business has a relatively short operating record such as in the case of the Target. The Independent Directors noted that the Company's Appointed Valuer, Cushman & Wakefield, had factored in such issues in its valuation of the business of the Target Group as at the Valuation Date. The Independent Directors had taken these factors into account in their deliberations on the various terms and conditions to be included as part of the Sale and Purchase Agreement, so as to better safeguard the interests of the Company and its shareholders.

The Independent Directors also acknowledge that the Target Group has taken active steps to establish a presence in Singapore, Hong Kong, USA and Australia, and notwithstanding restrictions and lockdowns, to build and deploy smart vending machines and foster and continue to build and manage distribution networks and infrastructure. In particular, the Target, MTBL Cultural, MTBL HK and MTBL USA have applied for and obtained various licences required for the conduct of its business in the respective territories, including liquor licences and wholesale, import and export licences. Sales agreements have also been entered into by the Target Group for the sale and distribution of the Products in Singapore, Hong Kong, Macau, Cambodia, Saipan and Laos, while memorandums of understanding have also been entered into by the Target Group for the distribution of the Products online. The Target Group has also generated revenue through the sale of the Products in restaurants and supermarkets and to corporate and individual clients, showing that it is able to establish valuable relationships with distribution partners to promote the Product. Further, the Independent Directors also recognise that the Target Group has taken active steps to identify personnel with expertise in the liquor industry with a view to attracting such talent to form a stronger team capable of executing the Target's strategy of bringing the Product to markets outside of China following Completion of the Proposed Acquisition."

3.5 Key terms of the Proposed Acquisition

The key terms of the Proposed Acquisition is set out in **Section 3.1** of the Circular, relevant extracts of which are reproduced below.

3.5.1 Acquisition of Target Group

"On 31 December 2020, the Company entered into the Sale and Purchase Agreement with the Vendor in respect of the Proposed Acquisition. On 3 February 2022, the Company entered into a supplemental agreement to the Sale and Purchase Agreement with the Vendor to, inter alia, amend the profit targets in relation to payment of the Balance Consideration and exercise of the Option, and to extend the Long-Stop Date.

Pursuant to the Proposed Acquisition, the Company shall acquire from the Vendor the Sale Shares, being 5,754,780 ordinary shares in the Target, representing 100% of the total issued share capital of the Target for an aggregate Consideration of up to S\$20,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

The Sale Shares shall be sold and transferred free from all encumbrances and with all rights attached thereto as at the Completion Date."

3.5.2 Consideration and Payment Terms

“Subject to the terms and conditions of the Sale and Purchase Agreement, the aggregate Consideration payable by the Company to the Vendor for the Proposed Acquisition shall be up to S\$20,000,000.

The Consideration will be satisfied in the following manner:

(a) *firstly, the first tranche consideration (“**First Tranche Consideration**”), being:*

(i) *S\$12,000,000; or*

(ii) *if the Consideration is less than S\$12,000,000, the entire Consideration,*

which shall be satisfied by way of cash, to be paid by the Company to the Vendor on the Completion Date; and

(b) *secondly, the remaining balance Consideration (if any) (the “**Balance Consideration**”), which shall be satisfied by way of cash, subject to conditions stated in Section 3.1.4 of the Circular. If the Consideration is equal to or less than S\$12,000,000, no Balance Consideration is payable.*

*As at Latest Practicable Date, the Company has paid to the Vendor, a refundable cash deposit of S\$600,000 (the “**Deposit**”) to the Vendor. On Completion, the Deposit shall be set-off against the First Tranche Consideration payable by the Company to the Vendor.”*

3.5.3 Formula for determining the Consideration

*“The Consideration, which shall be subject to a maximum of S\$20,000,000, shall be determined as by applying the following formula (the “**Consideration Formula**”):*

$$\textit{Consideration} = K \times AV$$

where:

(a) *“**Average Valuation**” or “**AV**” means the average of the two (2) valuations of 100% equity interest in the capital of the Target Group, on the following bases:*

(i) *one (1) valuation shall be conducted by the Company’s Appointed Valuer;*

(ii) *one (1) valuation shall be conducted by the Vendor’s Appointed Valuer;*

(iii) *the effective date of the valuation reports must not be more than six (6) months from the date of the Circular;*

(iv) *each valuation shall be on substantially similar bases and assumptions; and*

(v) *in the event any valuation is expressed as a range, the valuation taken for the purposes of calculating the Average Valuation shall be the average of the upper limit and lower limit for that valuation.*

(b) *“**K**” refers to the adjustment factor of 90% (i.e. discount of 10% applied to the Average Valuation).*

Determining the Average Valuation, Discounted Average Valuation and Consideration

*Applying the Consideration Formula, the Average Valuation of S\$18,850,000 was arrived at by obtaining the average of: (i) S\$12,800,000, being the average of the upper limit and lower limit of the valuation conducted by the Company’s Appointed Valuer, and (ii) S\$24,900,000, being the average of the upper limit and lower limit of the valuation conducted by the Vendor’s Appointed Valuer. As the Discounted Average Valuation (as defined below) of S\$16,965,000 (arrived at after applying a 10% discount to the Average Valuation of S\$18,850,000) does not exceed S\$20,000,000, the Consideration for the purposes of the Sale and Purchase Agreement shall be S\$16,965,000. Please refer to **Section***

4.5 of the Circular for further information on the determination of the average valuation and Consideration.

Based on the Consideration of S\$16,965,000, the First Tranche Consideration shall be S\$12,000,000 and the Balance Consideration shall be S\$4,965,000.”

3.5.4 Balance Consideration

“(a) Conditions

The Balance Consideration is conditional upon the satisfaction (or waiver by the Company in its sole discretion) of (i) Completion taking place and (ii) the Distribution Rights held by the Target being valid and subsisting.

(b) Payment Terms

The Balance Consideration (if any) shall be payable only upon the satisfaction of the profit target(s) set out in the table below. In the event none of the profit targets in the table below are satisfied, the Balance Consideration shall not be payable by the Company. For the avoidance of doubt, the Company shall not be required to pay more than 100% of the Balance Consideration.

The applicable Balance Consideration shall be payable within seven (7) Business Days after the release date of the Target Group Audited Accounts for the corresponding financial year (or such other later date as the Vendor and the Company may agree in writing).

Profit Target	Percentage of Balance Consideration Payable	Amount of Balance Consideration Payable
(i) The Target Group recording an Adjusted PBT for FY22 of <u>at least S\$2,000,000</u> (but less than S\$6,000,000) based on the Target Group Audited Accounts for FY22 (“ FY22 Base Target ”)	40% of Balance Consideration	S\$1,986,000
(ii) The Target Group recording an Adjusted PBT for FY23 of <u>at least S\$4,000,000</u> based on the Target Group Audited Accounts for FY23 (“ FY23 Target ”)	60% of Balance Consideration	S\$2,979,000
(iii) The Target Group recording an Adjusted PBT for FY22 of <u>at least S\$6,000,000</u> based on the Target Group Audited Accounts for FY22 (“ FY22 Target ”)	100% of Balance Consideration	S\$4,965,000
(iv) In the event: (1) the FY22 Base Target and FY22 Target are not satisfied; <u>and</u> (2) the Target Group records an Adjusted PBT for FY23 of <u>at least S\$6,000,000</u> based on the Target Group Audited Accounts for FY23.	100% of Balance Consideration, provided that no payment has been made under Section 3.1.4(b)(i) or 3.1.4(b)(iii).	S\$4,965,000

The Company will make the relevant announcement(s) on SGXNet on whether the relevant profit target(s) stated in the table above are met, and whether and how much of the Balance Consideration is payable by the Company, as and when appropriate.”

3.6 Option

Details of the Option is set out in **Section 3.2** of the Circular, relevant extracts of which are reproduced below.

3.6.1 Grant of Option

“The Vendor has granted to the Company the right (but not the obligation) to require the Vendor to purchase from the Company the entire issued shares of the Target (“**Option Shares**”) at the Option Consideration, on the terms and subject to the conditions of the Sale and Purchase Agreement (“**Option**”).”

3.6.2 Key Terms

“

<p>(a) Option Trigger Event</p>	<p>The Company shall have the right to exercise the Option if any of the following events occur:</p> <p>(i) Option Trigger Event 1. The Target Group does not satisfy the FY23 Target;</p> <p>(ii) Option Trigger Event 2. The Target Group does not record an accumulated Adjusted PBT for FY23, FY24 and FY25 of at least S\$8,000,000 based on the corresponding audited financial statements of the Target Group (“FY23-FY25 Target”);</p> <p>(iii) Option Trigger Event 3. Both of the following occur:</p> <p>(1) the Target no longer has the Distribution Rights for any reason whatsoever (except due to expiry of the Distribution Rights) (“Distribution Rights Termination”); and</p> <p>(2) as at the date of the Distribution Rights Termination, the cumulative Adjusted PBT of the Target Group (“Target Cumulative APBT”) is less than the AEI Consideration Payment (as defined below).</p> <p>For the avoidance of doubt, Option Trigger Event 3 will not occur if the Target Cumulative APBT as at the date of the Distribution Rights Termination is equal to or more than the AEI Consideration Payment.</p>
<p>(b) Option Exercise Period</p>	<p>The Company may exercise the Option in respect of all (and not some only) of the Option Shares by delivering a written notice (“Option Exercise Notice”) to the Vendor at any time from the relevant Option Trigger Date (as defined below) (“Option Exercise Period”).</p> <p>The “Option Trigger Date” shall mean:</p> <p>(i) in respect of Option Trigger Event 1, the release date of the Target Group Audited Accounts for FY23;</p> <p>(ii) in respect of Option Trigger Event 2, the release date of the Target Group Audited Accounts for FY25; or</p> <p>(iii) in respect of Option Trigger Event 3, the date of the Distribution Rights Termination.</p>
<p>(c) Option Consideration</p>	<p>Unless otherwise agreed by the Company and the Vendor, the Option Consideration shall be determined as follows:</p> <p style="text-align: center;">Option Consideration = C + E – D</p> <p>Where:</p> <p>“C” means the actual Consideration paid by the Company to the Vendor for the acquisition of the Target Group (“AEI Consideration Payment”);</p> <p>“E” means the aggregate subscription amount of any shares in the Target Group subscribed for by the Company from the Completion Date up to the Option Completion Date (both dates inclusive), if any; and</p> <p>“D” means the aggregate dividends paid by the Target Group to the Company from the Completion Date up to the Option Completion Date (both dates inclusive); and</p>

	<p>“Option Completion Date” means the date of completion of the sale and purchase of the Option Shares pursuant to the Option, being a date falling no later than six (6) months from the date of the Option Exercise Notice.</p>
(d) Exercise of Option	<p>Upon exercise of the Option:</p> <p>(i) the Company shall be bound to sell; and</p> <p>(ii) the Vendor shall be bound to purchase,</p> <p>all (and not some only) of the Option Shares at the Option Consideration on the Option Completion Date on an as-is-where-is basis, subject to applicable laws and the Listing Manual.</p> <p>In addition, all outstanding loans or debts owing by the Target Group to the Company shall be fully repaid on the Option Completion Date.</p>

3.6.3 Option Trigger Event 3 – Substitute Business

- (a) In the event Option Trigger Event 3 occurs, the Company shall have the right to agree to purchase a business (**“Substitute Business”**) that is a reasonable substitute to the existing business of the Target Group (subject to applicable listing rules of the SGX-ST), such Substitute Business to be procured by the Vendor for sale to the Company.

In the event the situation arises, the Board (with any conflicted Directors abstaining) will decide whether to purchase the Substitute Business.

- (a) The sale and purchase of the Substitute Business (**“Substitute Business Acquisition”**) shall be on such terms and conditions to be agreed between the Company and the Vendor, such key terms and conditions to include the following:
- (i) a nominal consideration shall be payable by the Company in connection with the Substitute Business Acquisition; and
- (ii) the Company shall not be required to pay any costs or expenses in relation to the Substitute Business Acquisition and transactions in connection therewith.

- (b) The Company’s right to exercise the Option (such right arising due to Option Trigger Event 3) shall expire upon completion of the Substitute Business Acquisition. The time period for completion of the Substitute Business Acquisition will be set out in a separate definitive agreement with respect to the Substitute Business Acquisition.

For the avoidance of doubt, there is no fixed time period for the Vendor to offer the Substitute Business to the Company under the Sale and Purchase Agreement.”

3.6.4 Approvals and announcements relating to the Option

“The Audit Committee will decide whether to exercise the Option.

The Company will not seek Shareholders’ approval in relation to the Audit Committee’s decision on whether or not to exercise the Option. In the event the Audit Committee decides that the Company shall exercise the Option, the Company will seek Shareholders’ approval as necessary under the listing rules of the SGX-ST, for example if the relative figures computed under Rule 1006 of the Listing Manual exceed the relative thresholds.

The Company will make further announcement(s) on SGXNet when any of the Option Trigger Events materialise, including whether the Company will be exercising the Option and the bases of such assessment. The Company will seek Shareholders’ approval as necessary in compliance with the applicable listing rules of the SGX-ST.”

3.7 Other information on the Proposed Acquisition

Further information relating to the (i) Conditions Precedent; (ii) Undertakings and Warranties; (iii) Indemnity; (iv) Guarantee; (v) Completion; and (vi) Directors' Service Agreement(s) are set out in **Section 3.3 to Section 3.10** of the Circular.

4 EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our opinion in respect of the Proposed Acquisition, we have deliberated on the following factors which we consider to be pertinent and have a significant bearing on our assessment:

- (a) Rationale for the Proposed Diversification and the Proposed Acquisition;
- (b) Financial assessment of the Proposed Acquisition to evaluate the fairness of the Consideration;
 - Consideration amount
 - Basis of Consideration
 - Valuation analysis of the Target Group by the Independent Valuers
 - Comparison of valuation ratios against Selected Comparable Companies
 - Comparison of the valuation ratios against Precedent IPT Transactions
 - Payment terms of the Balance Consideration
 - Option for the Company to sell the Target Group back to the Vendor
 - Right to acquire a Substitute Business for the Company
- (c) Review of the pro forma financial effects of the Proposed Acquisition; and
- (d) Other considerations relating to the Proposed Acquisition.

4.1 Rationale for the Proposed Diversification and the Proposed Acquisition

We note the rationale for the Proposed Diversification which is set out in **Section 8.4** of the Circular, relevant extracts of which are reproduced below.

“The Proposed Diversification is part of the corporate strategy of the Group to seek diversified revenue streams that will provide long term growth. The Company believes that the Proposed Diversification will offer the Group new business opportunities that will have the potential of enhancing Shareholders' value in the longer term.

Notwithstanding the economic slowdown caused by the COVID-19 pandemic, the Group believes that the F&B industry is a necessary and resilient industry and will continue to generate stable income. With consumers being unable to travel or dine out as often as they were previously used to, consumer demand for existing and new F&B products and innovative F&B experiences has increased. In light of this, coupled with the growing emphasis on food security and green resources, consumer demand for novel, innovative, safe and environmentally friendly foods and beverages can be expected to rise. The Company sees business potential in the F&B products space, and the potential consumer appeal of the Group's F&B products.

The Company anticipates the new revenue streams from the New Business to grow over time and improve the financial condition of the Group and, as such, the Company is of the view that the Proposed Diversification into the New Business, subject to the terms to be agreed in due course, offers a prospective platform for investment and business growth and development.”

The Target Group is in the New Business and the Proposed Acquisition is in line with the Proposed Diversification of the business of the Group. We also note the rationale for the Proposed Acquisition which is set out in **Section 3.8** of the Circular, relevant extracts of which are reproduced below.

“Faced with extremely challenging operating conditions in its existing aluminium extrusion business in recent years, such as competitive pricing, the rising costs of raw materials and thin margins, the Company has been reviewing potential diversification projects to enhance the Group's growth and

profitability. A summary of the projects that were considered by the Company is set out in Section 8.1 of this Circular. As no progress had been made in respect of the proposed collaboration with Zhongneng International Gas Co., Ltd. (as announced by the Company on 17 June 2019) and the Board was made aware that the Vendor had been granted the worldwide (excluding Mainland China) Distribution Rights to the Products, the Proposed Acquisition was therefore discussed by the Board.

The Proposed Acquisition presents an opportunity for the Company to acquire a business with a global distribution right (excluding Mainland China) of one of the world's most valuable spirits brands. In addition, the Target Group also intends to build a digital platform that will enable it to adopt a data-driven approach to optimise the purchase, advertising, sales and distribution of the Products and other liquors or alcoholic beverages. The Company believes that the Target Group will be able to build and establish a sizeable distribution network by leveraging on the demand and marketability of Moutai Bulao. The knowhow and distribution network can then be tapped by the Group to promote and distribute other food products and beverage products, whether produced by the Group or supplied by third parties. The Proposed Acquisition is in line with the Company's strategic plans diversify into businesses that would potentially increase the Group's revenue and profitability, thereby bringing additional value to the Company and its Shareholders."

We note that the rationale for the Proposed Acquisition, taken in the context of the Proposed Diversification of the business of the Group, appears to be based on sound commercial grounds. However, Independent Shareholders should be advised to read carefully the risk factors associated with the Proposed Diversification as set out in **Section 8.6** of the Circular.

4.2 Financial assessment of the Proposed Acquisition

4.2.1 Consideration

We note that the Consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration, *inter alia*, the following factors:

- (a) the prospects and future business plans of the Target Group;
- (b) the strength of the Moutai brand in the liquor industry;
- (c) the draft Company's Valuation Reports provided to the Company before signing the Sale and Purchase Agreement;
- (d) the audited financial results of the Target Group for the financial period from 6 December 2018 (being the date of incorporation of the Target) to 31 December 2019 and for the financial year ended 31 December 2020; and
- (e) the unaudited financial results of the Target Group for the 9 months period ended 30 September 2021.

As stated in section 3.5.3 of this IFA Letter, the Consideration for the Proposed Acquisition was determined using a computation formula (based on the average of the valuations of the Target Group) as specified in the Share Purchase Agreement, subject to a maximum of S\$20,000,000.

Accordingly, based on the independent valuations done on the Target Group, the Consideration for the Proposed Acquisition was determined to be **S\$16,965,000**.

4.2.2 Valuation Analysis of the Target Group by the Independent Valuers (as defined herein)

The Company had appointed Cushman & Wakefield VHS Pte Ltd (the "**Company's Appointed Valuer**") and the Vendor had appointed Savills Valuation and Professional Services (S) Pte. Ltd. (the "**Vendor's Appointed Valuer**") (collectively the "**Independent Valuers**"), to conduct independent valuations of the Target Group as at 30 September 2021 (the "**Valuation Reports**"). Summarised versions of the Valuation Reports are contained in **Appendices 2 & 3** to the Circular.

We have not made any independent evaluation or appraisal of the Target Group and we have been

furnished with the Valuation Reports in respect of the fair value of the Target Group. With respect to such valuation, we are not experts in the evaluation or appraisal of the Target Group and have relied on the Valuation Reports for the fair value of the Target Group and the Vendor's confirmation and representation as mentioned in this section.

The Vendor and the Target Group confirmed to the Company that they have provided the Company's Appointed Valuer and the Vendor's Appointed Valuer the same information and documents relating to the Target Group, including but not limited to financial statements, financial projections, business plans and the underlying assumptions and bases thereof ("**Target Group Base Information**"). For the avoidance of doubt, the Company's Appointed Valuer and the Vendor's Appointed Valuer were both instructed to conduct a valuation of 100% equity interest in the capital of the Target Group as at the Valuation Date, and each had full discretion to exercise their independent judgment in the conduct of the valuation.

In arriving at their respective valuations, each valuer exercised their independent judgment and took different approaches towards determining the market value of 100% equity interest in the capital of the Target Group as at the Valuation Date, including *inter alia* the following key differences:

- (a) the Company's Appointed Valuer has assessed the valuation based on:
- (i) the business plan in the countries/regions, namely Singapore, Hong Kong, Macau, USA, Australia, Cambodia and Laos, which the Target Group had made progress as at the Valuation Date such as, *inter alia*, setting up subsidiaries in USA, Hong Kong, Singapore and Australia, and signed distributorship agreements/memorandum of understanding in Hong Kong & Macau, USA, Cambodia, Laos and Thailand; and
 - (ii) on the basis of the existing Distribution Rights only, which will expire on 31 December 2027. As the Distribution Rights would be expiring as at 31 December 2027 and the Target Group had not been meeting the sales target indicated in the Distribution Agreement for the period between FY2019 and FY2020, the Company's Appointed Valuer has ascertained the terminal value based on the present value of the net working capital of the Target Group as at 31 December 2027.
- (b) the Vendor's Appointed Valuer took the view that:
- (i) the Distribution Rights will be renewed at the end of the contractual period and the business of the Target Group would continue into perpetuity, on the following bases:
 - the Vendor's Appointed Valuer understands that the Target's management has built a business relationship with the supplier and is confident of renewing the Distribution Rights when the Distribution Rights end in 2027;
 - with the Target management's forecast revenue of about S\$400 million by 2027, the Vendor's Appointed Valuer is of the opinion that it is reasonable to expect that the Distribution Rights will be renewed by both parties on commercial grounds;
 - as of the Valuation Date, the Vendor's Appointed Valuer is not aware of any evidence showing that the Distribution Rights cannot be renewed; and
 - the Vendor's Appointed Valuer has noted the risk that the existing Distribution Rights may not be renewed, and has considered this risk (among other risk factors) by estimating the high discount rate for the valuation of the Target Group; and
 - (ii) accepted the representation of the Vendor and the Target, and have accordingly assumed in their valuation that the Target does not need to incur additional costs to renew the exclusive Distribution Rights to sell the Products worldwide (excluding in Mainland China) when the Distribution Rights expire on 31 December 2027.

Further information on the Company's Appointed Valuer's and the Vendor's Appointed Valuer's valuation bases and assumptions and the Board's assessment of the Valuation Reports are set out in **Sections 4.2 and 4.3** of the Circular.

Below is the summary of the key bases and assumptions of the Valuation Reports:

	Company's Appointed Valuer	Vendor's Appointed Valuer
Date of valuation	30 September 2021	30 September 2021
Primary valuation approach	Income approach (Market approach as reference)	Income approach (Market approach as valuation cross-check)
Discount rate	22.0% to 24.0%	34.0% to 36.0%
Terminal value	Based on the present value of the net working capital of the Target Group as at FY2027.	The terminal value of the business after the explicit forecast period has been estimated using the Gordon Growth method. Assumption that the business would continue into perpetuity at a long-term growth rate at 1% based on Singapore's long term forecast CPI rate.
Marketability discount (adjustment for private company discount)	20%	Nil
Equity Value	S\$11.7 to S\$13.9 million	S\$23.7 to S\$26.1 million

Table 1 :The market value of the Target Group assessed by the Independent Valuers

	Appraised Value (S\$ mil)			
	By the Company's Appointed Valuer		By the Vendor's Appointed Valuer	
	Lower limit	Upper limit	Lower limit	Upper limit
The Target Group	11.7	13.9	23.7	26.1
Consideration	17.0			
Average Appraised Value (Average of the lower limit and upper limit)	12.8		24.9	
Consideration Premium/(Discount) % to Appraised Value	32.5%		(31.9)%	

Our observations in relation to the Valuation Reports are as follows:

- (a) The Consideration of S\$17.0 million is at approximately 32.5% premium and 31.9% discount to the Average Appraised Values of the Target Group of S\$12.8 million and S\$24.9 million by the Company's Appointed Valuer and the Vendor's Appointed Valuer respectively; and
- (b) the Consideration of S\$17.0 million is at approximately S\$1.9 million or 10.0% discount to the Average Valuation of S\$18.9 million by the Independent Valuers.

We recommend that the Directors advise Shareholders to read Appendix 2 to the Circular for a summary of the Company's Appointed Valuer's valuation report and Appendix 3 to the Circular for a summary of the Vendor's Appointed Valuer's valuation report carefully, in particular the valuation methodologies and principal assumptions used in arriving at the above valuations in respect of the Target Group.

4.2.3 Comparison of valuation ratios against Selected Comparable Companies

In assessing the reasonableness of the Consideration, we have considered the financial performance, financial position and valuation statistics of selected listed comparable companies ("**Selected Comparable Companies**") that may, in our view, be broadly comparable to the Target Group. The

Target Group owns the exclusive distributor rights to market and sell Moutai Bulao 125ml liquor products worldwide (except in mainland China). The Selected Comparable Companies have principal activities of alcoholic beverage manufacturing and/or alcohol beverage distribution.

We advise the Recommending Directors to note that **there may not be any company listed that is directly comparable to the Target Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria.** We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the business of these selected companies, their capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Target Company may differ. In addition, we wish to highlight that the list of Selected Comparable Companies is by no means exhaustive. As such, any comparison made herein is necessarily limited and serves only an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Target Group as at the Latest Practicable Date.

Recommending Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of the financial performance, the historical share price performance, the demand/supply conditions of the shares, the relative liquidity of the shares, the relative sentiments of the market for the shares, as well as the market capitalisation.

List of the Selected Comparable Companies

Selected Comparable Companies	Listing Location	Market cap (\$ mil)	Principal activities
Chinese White Liquor Manufacturers & Distributors			
Kweichow Moutai Co Ltd	Shanghai (SHA:600519)	505,368.1	Kweichow Moutai Co., Ltd. manufactures spirits. The Company's spirit products are distilled from sorghum and wheat. Kweichow Moutai markets its products worldwide.
Wuliangye Yibin Co Ltd	Shenzhen (SZSE:000858)	164,167.6	Wuliangye Yibin Co., Ltd. manufactures and markets Wuliangye series of liquors. Through its subsidiaries, the Company also manufactures carbon and lactic acid and has operation in printing and packaging materials businesses.
Luzhou Laojiao Co Ltd	Shenzhen (SZSE:000568)	67,549.0	Luzhou Laojiao Co.,Ltd manufactures and sells spirits products worldwide. The Company also produces glass products, manages hotels, and invests in the real estate business.
JiuGui Liquor Co Ltd	Shenzhen (SZSE: 000799)	11,360.8	Jiugui Liquor Co., Ltd. manufactures and markets Xiangquan and Jiugui series of white spirits. Through its subsidiaries, the Company also manufactures pharmaceutical products.
Vats Liquor Chain Store Management JSC Ltd	Shenzhen (SZSE: 300755)	3,920.5	Vats Liquor Chain Store Management Joint Stock Co, Ltd wholesales and distributes alcohol products. The Company provides white spirits, wines, and other products. Vats Liquor Chain Store Management markets its products throughout China.
Silver Base Group Holdings Ltd	Hong Kong (HKEX:886)	15.7	Silver Base Group Holdings Ltd, through its subsidiaries, distributes alcoholic beverages such as Chinese wine, liquor, whisky, and cigarettes. Silver Base Group Holdings distributes its products in Chile, Argentina, Australia, New Zealand, and Europe.
Major Holdings Ltd	Hong Kong (HKEX:1389)	23.7	Major Holdings Limited is a retailer of a wide range of premium wine and spirits products and a personalised wine services provider in Hong Kong.
Other Alcohol and Spirits Manufacturers & Distributors			
Diageo PLC	London (LON:DGE)	159,497.8	Diageo plc produces, distills, and markets alcoholic beverages. The Company offers a wide range of branded beverages, including vodkas, whiskeys, tequilas, gins, and beer. Brands include Johnnie Walker, Ciroc, Smirnoff, Baileys, Casamigos, Don Julio, Gordon's Gin and Guinness beer.
Brown-Forman Corp	New York (NYSE:BF.B)	42,606.3	Brown-Forman Corporation manufactures, bottles, imports, exports, and markets a wide variety of alcoholic beverage brands. The Company's products include branded whiskey, vodka, wines, tequila, bourbon, and gin. Brands include Jack Daniel's, Woodford Reserve,

			Old Forester, The Benriach, The Glendronach, Herradura El Jimador, Finlandia and Fords Gin etc.
Thai Beverage PCL	Singapore (SGX: Y92)	16,452.8	Thai Beverage Public Company Limited produces a wide range of branded beer and spirits in Thailand.
Corby Spirit and Wine Ltd	Toronto (TSE:CSW.A)	515.1	Corby Spirit and Wine Limited markets a variety of spirits and wines. The Company distills liqueur, whisky, wine, vodka, rum, gin, brandy, cognac, and ready-to-drink cocktails, as well as other spirits. Brands include J.P. Wiser's, Absolut, Jacob's Creek, Jameson, The Glenlivet, Malibu, Martell, Kahlua etc.
Ginebra San Miguel Inc	Philippines (PSE:GSM)	843.3	Ginebra San Miguel Inc. manufactures and distributes liquor products. Ginebra San Miguel's products are marketed under brand names such as Ginebra San Miguel, Anejo Rum, Tondena Manila Rum, VIVA!, and Magnolia FunChum.

Source: Bloomberg L.P. as at Latest Practicable Date

Table 2: Valuation Statistics of the Selected Comparable Companies

Comparable Companies	Financial Period	Market Capitalisation (S\$ million)	T12 PER ⁽¹⁾ (x)	T12 EV/EBITDA ⁽²⁾ (x)	P/NAV ⁽³⁾ (x)
Chinese White Liquor Manufacturers & Distributors					
Kweichow Moutai Co Ltd	30-Sep-21	505,368.1	48.9	37.0	13.7
Wuliangye Yibin Co Ltd	30-Sep-21	164,167.6	35.0	28.0	8.4
Luzhou Laojiao Co Ltd	30-Sep-21	67,549.0	43.9	41.5	12.2
JiuGui Liquor Co Ltd	30-Sep-21	11,360.8	62.5 ⁽⁴⁾	78.5 ⁽⁴⁾	16.1 ⁽⁴⁾
Vats Liquor Chain Store Management JSC Ltd	30-Sep-21	3,920.5	36.6	39.0	5.6
Silver Base Group Holdings Ltd	30-Sep-21	15.7	N.M. ⁽⁵⁾	N.M. ⁽⁵⁾	0.4
Major Holdings Ltd	30-Sep-21	23.7	N.M. ⁽⁵⁾	27.3	1.0
Other Alcohol and Spirits Manufacturers & Distributors					
Diageo PLC	31-Dec-21	159,497.8	28.3	24.4	11.4
Brown-Forman Corp	31-Oct-21	42,606.3	41.4	23.1	10.8
Thai Beverage PCL	30-Sep-21	16,452.8	15.6	14.1	2.6
Corby Spirit and Wine Ltd	30-Sep-21	515.1	18.1	8.6	2.5
Ginebra San Miguel Inc	30-Sep-21	843.3	8.3	5.8	2.9
High			62.5	78.5	16.1
Low			8.3	5.8	0.4
Median			35.0	25.9	5.6
Simple Average			30.7	24.9	6.5
Target Group⁽⁶⁾ (Based on the full consideration of S\$17.0 million)			N.M.⁽⁷⁾	22.5	3.2

Source: Bloomberg L.P. as at Latest Practicable Date

Notes:

- (1) The trailing 12-month price-to-earnings ratio ("T12 PER") was calculated based on the ratio of market capitalisation as at Latest Practicable Date to T12 net profits after tax attributable to shareholders of the respective companies
- (2) The enterprise value ("EV") was calculated based on the sum of the companies' market capitalisation as Latest Practicable Date, preferred equity, minority interests, short and long-term debts less cash and cash equivalents. The earnings before interest, taxes, depreciation and amortization ("T12 EBITDA") is computed based on the trailing 12 months period ending on the corresponding financial quarter for which financial results have been published.
- (3) The Price to NAV ("P/NAV") was calculated based on the ratio of market capitalisation as at the Latest Practicable Date to the NAV attributable to shareholders of the respective companies.
- (4) Excluded from the median and mean analysis as it is a statistical outlier.
- (5) Not meaningful as the company was loss making during the corresponding period.
- (6) Based on the Target Group's unaudited financial results as at 31 December 2021.
- (7) Target Group recorded marginal net profits after tax of S\$64,659 for the year ended 31 December 2021, as such comparisons using the T12 PER multiple is not meaningful.

Based on Table 2, we note the following:

- (a) the T12 EV/EBITDA multiple of 22.5x was within range and below the median (more favourable) of the EV/EBITDA of the Selected Comparable Companies; and
- (b) the P/NAV multiple of 3.2x based on the Consideration for the Target Group was within the range and below the median (more favourable) of the P/NAV of the Selected Comparable Companies.

4.2.4 Comparison of the valuation ratios against Precedent IPT Transactions

For the purpose of our evaluation, we have compared the P/NAV ratio implied by the Consideration vis-à-vis interested party transactions since 1 January 2019 completed by companies listed in SGX-ST which involve the acquisition of equity interest in companies, other than property-related transactions (the “**Precedent IPT Transactions**”).

Table 3: Precedent IPT Transactions

Name of Company	Details of acquisition	Date of Completion	Purchase consideration (\$ million)	P/NAV (times)
GS Holdings Limited	100% of the issued and paid-up share capital of Hao Kou Wei Pte Ltd	01-Apr-19	3.6	5.0 ⁽¹⁾
JCG Investment Holdings	100% of the issued and paid-up shares of Brand X Lab Pte. Ltd.	15-Apr-19	3.4	6.6 ⁽²⁾
ISEC Healthcare Limited	49% of the issued and paid-up share capital of ISEC (Penang) Sdn. Bhd.	23-Apr-19	4.5	3.7 ⁽³⁾
Medinex Limited	100% of the issued and paid-up share capital of Ark Leadership & Learning Pte. Ltd.	06-May-19	1.0	244.1 ⁽⁴⁾⁽⁹⁾
Biolidics Limited	100% of the issued and paid-up ordinary shares of Biomedics Laboratory Pte. Ltd.	26-May-20	3.7	9.3 ⁽⁵⁾
HC Surgical Specialist Limited	20% of the issued share capital of Healthcare Essentials Pte. Ltd.	23-Dec-20	0.2	2.0 ⁽⁶⁾
Alpha DX Group Limited	100% of the issued and paid-up ordinary shares of DiDi Academy Inc.	09-Sep-21	2.0	1.7 ⁽⁷⁾
Aoxin Q & M Dental Group Limited	49% of the issued and paid-up shares of Acumen Diagnostics Pte. Ltd.	01-Nov-21	29.4	6.1 ⁽⁸⁾
Maximum				244.1
Minimum				1.7
Median				5.0
Mean				4.9
Target Group (Based on the full consideration of S\$17.0 million)			17.0	3.2⁽¹⁰⁾

Source: Circulars and announcements of the respective SGX-ST listed companies.

Notes:

- (1) Based on the unaudited NTA of the target group as at 30 November 2018.
- (2) Based on the unaudited accounts of the target as at 31 December 2018.
- (3) Based on the audited NAV of the target as at 31 December 2018.
- (4) Based on the unaudited management accounts of the target as at 31 December 2018.
- (5) Based on the maximum consideration of S\$3.7 million and the management unaudited balance sheet of the target as at 31 December 2019.
- (6) Based on the NAV and NTA of the target as at 31 August 2020.
- (7) Based on the adjusted NAV of the target as at 30 June 2021.
- (8) Based on the unaudited pro forma NAV of the target group as at 30 June 2021
- (9) Excluded from the median and mean analysis as it is a statistical outlier.
- (10) Based on the Target Group’s unaudited financial results as at 31 December 2021.

Based on Table 3 above, we note that the P/NAV of 3.2x based on Consideration for the Target Group was within the range and below the median (more favourable) of the P/NAV ratios of the Precedent IPT Transactions.

This analysis serves as a general indication of the premium over or discount to NAV, without having regard to specific industry characteristics or other relevant considerations. We wish to highlight that the list of Precedent IPT Transactions is not exhaustive, and that the purchase consideration is dependent on various factors, including, *inter alia*, the rationale for the acquisition, then prevailing market conditions and sentiments, the mode of settlement of the purchase consideration, the nature of the business and/or assets acquired. Accordingly, any comparison made with respect to the Precedent IPT Transactions is intended to serve as an illustrative guide only.

4.2.5 Payment terms of the Balance Consideration

As set out in **Section 3.1.4** of the Circular and section 3.5.4 of this IFA Letter, the Balance Consideration, which shall be satisfied by way of cash, is subject to, *inter alia*, the Distribution Rights held by the Target being valid and subsisting, and satisfaction of specified profit targets for the financial year ending 2022 and 2023.

The various scenarios for the payment of the Balance Consideration based on the profit target(s) set for the Target Group and the cumulative Consideration payable, the corresponding implied P/NAV and implied maximum PER are set out in the below table:

Table 4: Achievement of profit targets and payment structure of Consideration

	Profit Target	Percentage of Balance Consideration Payable	Amount of Balance Consideration Payable	Cumulative Consideration Payable	Implied P/NAV (x) ⁽¹⁾	Implied maximum PER (x) ⁽²⁾
First Tranche Consideration	Not Applicable	Not Applicable	Not Applicable	S\$12.0 Million	2.2x	N.M. ⁽³⁾
Balance Consideration	(i) If FY22 Base Target is met (i.e. Target Group Adjusted PBT ⁽⁴⁾ for FY22 is at least S\$2,000,000 but less than S\$6,000,000)	40% of Balance Consideration	S\$1.99 million	S\$13.99 Million	2.6x	8.4x
	(ii) If FY23 Target is met. (i.e. Target Group Adjusted PBT for FY23 of at least S\$4,000,000)	60% of Balance Consideration	S\$2.98 million	S\$16.97 Million	3.2x	5.1x
	(iii) In the event: (1) the FY22 Base Target is not satisfied; <u>and</u> (2) the FY23 Target is met.	60% of Balance Consideration	S\$2.98 million	S\$14.98 Million	2.8x	4.5x
	(iv) If the Target Group records an Adjusted PBT of at least S\$6,000,000 in either FY22 or FY23.	100% of Balance Consideration	S\$4.97 million	S\$16.97 Million	3.2x	3.4x

Notes:

- (1) Based on the Target Group's unaudited financial results as at 31 December 2021.
- (2) Based on Net Profit calculated by the respective Adjusted PBT targets less assumed tax expense rate of 17%.
- (3) Not meaningful as the Target Group recorded marginal net profit after tax of S\$64,659 for the financial year ended 31 December 2021.
- (4) Adjusted PBT refers to the audited profit before tax disregarding any amortisation charge relating to the Distribution Rights
- (5) Any discrepancies between the figures listed and the totals thereof are due to rounding.

We note that the aggregate Consideration is to be paid in three tranches over two years and the remaining two tranches are contingent upon the realisation of certain profit targets for the Target Group in 2022 and 2023. For illustrative purposes only, in the event that none of the FY22 Target and the FY23 Target are achieved, the entire Balance Consideration of S\$5.0 million will not be paid and the

aggregate Consideration will be capped at S\$12.0 million, or an implied P/NAV for the Proposed Acquisition of 2.2x.

For illustrative purposes only, we note that if the FY22 Base Target is achieved and 40% of the Balance Consideration is paid, the implied maximum PER as at FY22 for the Target Group will be 8.4x and if the FY23 Target is also achieved and the remaining 60% of the Balance Consideration is paid, the implied maximum PER as at FY23 for the Target Group will be 5.1x.

These implied maximum PER for the Target Group as at FY22 and FY23 (based on the Target Group achieving these profit targets) are below the range (more favourable) of the T12 PER of the Selected Comparable Companies (shown in Table 2 of this IFA Letter).

The payment terms for the Balance Consideration allows the Company to reduce the aggregate Consideration payable for the Target Group if the Target Group is not able to meet its financial performance targets set over the next two years.

4.2.6 Option for the Company to sell the Target Group back to the Vendor

As set out in **Section 3.2** of the Circular and section 3.6 of this IFA Letter, the Company has been given the right to require the Vendor to purchase from the Company the entire issued shares of the Target Group at the Option Consideration, on the terms and subject to the conditions of the Share Purchase Agreement (the “**Option**”).

The Company shall have the right to exercise the Option if any of the following events occur:

- (i) **Option Trigger Event 1.** The Target Group does not satisfy the FY23 Target;
- (ii) **Option Trigger Event 2.** The Target Group does not record an accumulated Adjusted PBT for FY23, FY24 and FY25 of at least S\$8,000,000 based on the corresponding audited financial statements of the Target Group (“**FY23-FY25 Target**”);
- (iii) **Option Trigger Event 3.** Both of the following occur:
 - (1) the Target no longer has the Distribution Rights for any reason whatsoever (except due to expiry of the Distribution Rights) (“**Distribution Rights Termination**”); and
 - (2) as at the date of the Distribution Rights Termination, the cumulative Adjusted PBT of the Target Group (“**Target Cumulative APBT**”) is less than the AEI Consideration Payment (as defined below).

For the avoidance of doubt, Option Trigger Event 3 will not occur if the Target Cumulative APBT as at the date of the Distribution Rights Termination is equal to or more than the AEI Consideration Payment.

The Option Consideration payable by the Vendor shall be based on the aggregate of the actual Consideration paid by the Company for the Target Group and amount paid for further subscription of shares in the Target Group by the Company (if any) less the aggregate dividends paid by the Target Group to the Company.

The Option provides the Company with downside protection for its investment in the Target Group as it gives the Company the right to sell the entire issued shares of the Target Group back to the Vendor, without loss on the investment, should the Target Group not achieve the specified future profit targets and/or loses its Distribution Rights.

Substitute Business Acquisition

In the event Option Trigger Event 3 (as defined above) occurs, the Company shall have the right to agree to purchase a Substitute Business to be procured by the Vendor for sale to the Company.

We note that the Company will have the right to purchase a Substitute Business to the Target Group at a nominal consideration, subject to (i) terms and conditions agreeable to the Company; and (ii) applicable listing rules of the SGX-ST. The Company shall also not be required to pay any costs or expenses in relation to the Substitute Business Acquisition and transactions in connection therewith. However, we note that there is no assurance that a suitable substitute business may be found in a timely manner should the Company exercise its right to purchase a Substitute Business.

4.3 Review of pro forma financial effects of the Proposed Acquisition

The pro forma financial effects of the Proposed Acquisition are set out in **Appendix 4** to the Circular.

We note that the pro forma financial effects are prepared in accordance with relevant accounting standards to illustrate the financial effects of the Proposed Acquisition and they are presented strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or the Group. The bases and assumptions taken in preparing the pro forma financial effects of the Proposed Acquisition are set out in **Appendix 4** to the Circular.

Based on the review of the pro forma financial effects of the Proposed Acquisition on the Group, we note that:

- i) the NTA per Share of the Group as at 31 December 2020 (immediately following the completion of the Penjuru Disposal and Proposed Capital Reduction) will decrease from 60.3 cents to 44.6 cents, after the completion of the Proposed Acquisition; and
- ii) the Net Profit per Share of the Group for FY2020 (immediately following the completion of the Penjuru Disposal and Proposed Capital Reduction) will increase from 13.3 cents per share to 13.4 cents per share, after the completion of the Proposed Acquisition.

However, we note that for illustrative purpose, the pro forma financial effects had assumed that the maximum Consideration of S\$16,965,000 (comprising the First Tranche Consideration and the Balance Consideration) was paid by the Company to the Vendor on 1 January 2020, although the payment of the Balance Consideration of S\$4,965,000 is contingent on the Target Group meeting certain profit targets in FY2022 and FY2023 and will only be paid to the Vendors over the next two years as set out in section 4.2.5 of this IFA Letter.

4.4 Other considerations relating to the Proposed Acquisition

4.4.1 Condition Precedents

Completion of the Proposed Acquisition is conditional upon, *inter alia*, the following key conditions precedent (“**Conditions Precedent**”) having been satisfied, fulfilled or waived, as relevant, in accordance with the terms of the Sale and Purchase Agreement on or before the Long-Stop Date. Details of the Conditions Precedent are set out in **Section 3.3** of the Circular, some of which are highlighted below.

Due Diligence

The Company being satisfied with its due diligence investigations¹ into the financial, accounting, legal, tax and business of the Target Group, including being satisfied that the Vendor is the legal and beneficial owner of the Sale Shares, the Sale Shares are free of encumbrances on Completion, and the Target owns the Distribution Rights.

Net Asset Value

¹ The Company has engaged legal counsel in Singapore, Hong Kong, USA and Australia to perform legal due diligence on the Target Group Companies. The Company has also requested for a full audit to be performed on the Target Group and the Target has accordingly provided the Company the audited financial statements of the Target Group for the financial years ended 2019 and 2020 and the unaudited financial statements of the Target Group for the financial year ended 2021 (being the most recent financial year). The audit of the Target Group was performed by RSM Chio Lim LLP.

The net asset value of the Target being not less than S\$5,000,000. Pursuant to the Sale and Purchase Agreement, this Condition Precedent is waivable by the Company in its discretion. In the event the Company elects not to waive this Condition Precedent, the Company shall be entitled to terminate the Sale and Purchase Agreement¹

Deed of Novation

The Target entering into the deed of novation ("**Deed of Novation**") (in such form and substance satisfactory to the Company) with Dongying Circle International Trade Co., Ltd. ("**Dongying**") and the Vendor, pursuant to which the Vendor shall novate its Distribution Rights to the Target and upon the entry into the Deed of Novation, the Vendor shall not have any interests in the Distribution Rights.²

Service Agreement with Mr Sun

Mr Sun entering into a service agreement ("**Service Agreement**") with the Company, pursuant to which Mr Sun shall hold the position of chief executive officer ("**CEO**") of the Company for a minimum period of five (5) years from the Completion Date, subject to renewal at the option of the Company, and such Service Agreement to contain provisions on non-competition, non-solicitation, declaration of conflicts of interest, and such other terms customary in service agreements for an officer of Mr Sun's power, position and capacity in the Company.

Undertaking by Mr Sun

Mr Sun undertaking to be a director on the board of the Company for such period for which the Distribution Rights are valid and subsisting, in the event Mr Sun steps down as CEO of the Company.

Deed of guarantee

Within five (5) Business Days of the Sale and Purchase Agreement and in any case no later than payment of the Deposit, Mr Sun entering into a deed of guarantee ("**Deed of Guarantee**") (in such form and substance satisfactory to the Company) in favour of the Company to guarantee the performance of the Vendor's obligations, commitments, undertakings, warranties, indemnities and liabilities in the Sale and Purchase Agreement.³

Licences

The Target Group having obtained and at all times materially complied with all material licences, permissions, authorisations and consents required for carrying on its business effectively in the places and in the manner in which such business is carried on, and such material licences, permissions, authorisations and consents not having been revoked on or before the Completion Date.

4.4.2 Guarantee from Mr Sun

As a condition precedent under the Sale and Purchase Agreement, Mr Sun (the "**Guarantor**") had on 5 January 2021 entered into the Deed of Guarantee in favour of the Company as continuing security for the due and punctual performance and discharge of all present and future obligations, commitments, undertakings, warranties, indemnities and liabilities of the Vendor under the Sale and Purchase Agreement (the "**Secured Obligations**").

Under the Deed of Guarantee, the Guarantor, *inter alia*, unconditionally and irrevocably, as principal obligor:

- (a) guarantees to the Company punctual performance and observance by the Vendor of the Secured Obligations; and

¹ As at the Latest Practicable Date, the net asset value of the Target is S\$5,865,818.

² As at the Latest Practicable Date, the Deed of Novation has been entered into.

³ As at the Latest Practicable Date, the Deed of Guarantee has been entered into.

- (b) undertakes with the Company that if the Vendor defaults for any reason whatsoever in the performance of any of the Secured Obligations, the Guarantor shall forthwith on written demand by the Company to the Guarantor, unconditionally perform and satisfy the Secured Obligations as if the Guarantor instead of the Vendor was expressed to be the principal obligor, in such manner so that the same benefits shall be conferred on the Company as it would have received if the Secured Obligations had been duly performed and satisfied by the Vendor.

In the event the Company exercises the Option as described in **Section 3.2** of the Circular, the Secured Obligations will also extend to the obligation of the Vendor to purchase all (and not some only) of the Option Shares. The Guarantor acknowledges that in the event the Vendor fails to fulfil its obligations under the Option, the Guarantor shall perform and satisfy the Vendor's obligation to purchase all (and not some only) of the Option Shares.

We note that the Guarantor appears to be financially capable of satisfying the Vendor's obligations under the Sale and Purchase Agreement in the event that the Vendor fails to do so, in view that he has confirmed that, as at the Latest Practicable Date:

- (a) he indirectly holds 100% shareholding interest in CCIAM, which is the investment manager of MTBL Global Fund (a substantial shareholder of the Company);
- (b) he has an indirect interest in 10,250,000 Shares in the Company through MTBL Global Holdings Pte. Ltd. (a wholly-owned subsidiary of Mr Sun); and
- (c) he indirectly holds 100% shareholding interest in China Capital Impetus Investment Limited, which is the investment manager of Oriental Straits Fund III. Oriental Straits Fund III holds 4,872,568,256 ordinary shares of The Place Holdings Limited, a company whose shares are listed on the Mainboard of the SGX-ST.

4.4.3 Source of funding

We note that the Proposed Acquisition will be funded by the Company's internal resources.

Based on the Group's unaudited consolidated financial statements as at 30 June 2021, the Group has cash and cash equivalents of approximately S\$74.1 million. However, we note that the Group's cash and cash equivalents would reduce by \$31.3 million from \$74.1 million to \$42.8 million immediately after the completion of capital reduction exercise on 9 July 2021.

The Directors have confirmed that (i) other than the Consideration for the Proposed Acquisition, there is no other planned material expenditure for the Group and (ii) the Group will have sufficient cash for its working capital purposes following the Proposed Acquisition.

4.4.4 Abstention from voting at the EGM

The Proposed Acquisition and the Proposed Diversification **are subject to the approval of Shareholders being obtained at the EGM**. We note that as interested persons to the Proposed Acquisition, Mr Sun will abstain, and ensure that his associates (including MGF) abstain, from voting on Resolution 1, being the ordinary resolution relating to the Proposed Acquisition.

Further, Mr Sun has undertaken to decline, and shall ensure that his associates decline, to accept appointment as proxies to vote and attend at the EGM in respect of the resolution approving the Proposed Acquisition for other Shareholders unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the EGM.

4.4.5 Proposed Diversification into the New Business

We note that the Company is also seeking Shareholders' approval at the same EGM for the proposed diversification of the Group's business into the New Business (the production, sale and distribution of food and beverages (including, in particular, liquors and alcoholic beverages)) (the "**Proposed Diversification**"). The resolution for the Proposed Acquisition and the Proposed Diversification are

inter-conditional on each other, which means that the Proposed Acquisition will be subject to the approval of Shareholders being obtained for the Proposed Diversification and vice versa.

We also note that the Group could be affected by a number of risks that may relate to the Proposed Diversification. Risks may arise from, inter alia, economic, business, market and political factors. The risk factors associated with the Proposed Diversification are set out in **Section 8.6** of the Circular.

4.4.6 Risk of termination of the Target's Distribution Rights

On 21 May 2018, Guizhou Moutai granted Dongying the Dongying Worldwide Distribution Rights. Pursuant to the CIG Distribution Agreement between Dongying and the Vendor and the subsequent Deed of Novation as of 21 April 2021, between Dongying, the Vendor and the Target, whereby the Vendor assign the Distribution Rights to the Target, the Target now holds the exclusive Distribution Rights of the Products worldwide except for in Mainland China.

As the Distribution Rights of the Target are granted out of the Dongying Worldwide Distribution Rights. in the event the Dongying Worldwide Distribution Rights are terminated or found to be defective or unenforceable, the Distribution Rights of the Target (which are granted by Dongying) may also be impacted or terminated.

Also, if the Target fails to meet the annual sales targets set by Dongying under the CIG Distribution Agreement (please refer to **Section 2.3** of the Circular for the annual sales targets), Dongying shall have the right to terminate the Distribution Rights granted to the Target. We refer to **Section 8.6(o)** of the Circular for further information on the risk of termination arising from the Target's failure to meet its sales targets

Given the ongoing global COVID-19 pandemic, there is a risk that the Target may not be able to meet the 2021 annual sales targets under the CIG Distribution Agreement. We note that although the Target did not meet the 2019 and 2020 sales targets, Dongying agreed in the Deed of Novation that the CIG Distribution Agreement will continue to take effect in view of the global pandemic and other force majeure events. Due to the ongoing global COVID-19 pandemic, the Target did not meet the 2021 annual sales targets under the CIG Distribution Agreement. For FY2021, the Target achieved sales amounting to S\$1,771,244 across Singapore, USA and Hong Kong.

4.4.7 No assurance that the Distribution Rights would be renewed after 31 December 2027

As disclosed in **Section 2.3** of the Circular, the Target holds the exclusive rights to distribute the Products worldwide except for in Mainland China for the period from **29 November 2018 to 31 December 2027** from Dongying, which is granted out of the Dongying Worldwide Distribution Rights.

We note that there is no assurance that Dongying will be able to renew the Dongying Worldwide Distribution Rights with the Guizhou Moutai and consequently, there is no assurance that the Target Group will be able to renew the Distribution Rights when it expires on 31 December 2027.

5 SUMMARY OF ANALYSIS

In arriving at our recommendation in respect of the Proposed Acquisition, we have taken into account the views and representations by the Directors and Management of the Company and the factors set out in section 4 above. The key considerations are summarised below.

- (a) The rationale for the Proposed Acquisition, taken in the context of the Proposed Diversification of the business of the Group, appears to be based on sound commercial grounds.
- (b) The Consideration of S\$17.0 million is at approximately S\$1.9 million or 10.0% discount to the average appraised value of S\$18.9 million by the Independent Valuers;
- (c) The T12 EV/EBITDA multiple of 22.5x was within range and below the median (more favourable) of the EV/EBITDA of the Selected Comparable Companies;

- (d) The P/NAV multiple of 3.2x based on the Consideration for the Target Group was within the range and below the median (more favourable) of the P/NAV of the Selected Comparable Companies.
- (e) The P/NAV multiple of 3.2x based on the Consideration for the Target Group was within the range and below the median (more favorable) of the similar ratios of the Precedent IPT Transactions.
- (f) The payment terms for the Balance Consideration allows the Company to cap the aggregate Consideration for the Target Group to S\$12.0 million if the Target Group is not able to meet its financial performance targets set over the next two years.
- (g) The aggregate Consideration is to be paid in three tranches over two years and the remaining two tranches are contingent upon the realisation of certain profit targets for the Target Group in 2022 and 2023. In the event that none of the FY22 Target and the FY23 Target are achieved, the entire Balance Consideration of S\$4.97 million will not be paid and the aggregate Consideration will be capped at S\$12.0 million, or an implied P/NAV for the Proposed Acquisition of 2.2x.
- (h) The implied maximum PER for the Target Group as at FY22 and FY23 (based on the Target Group achieving these profit targets) are below the median (more favourable) of the T12 PER of the Selected Comparable Companies.
- (i) The Option provides the Company with downside protection for its investment in the Target Group as it gives the Company the right to sell the entire issued shares of the Target Group back to the Vendor, without loss on the investment, should the Target Group not achieve the specified future profit targets and/or loses its Distribution Rights.
- (j) In the event that Option Trigger Event 3 occurs, the Company will have the right to purchase a Substitute Business to the Target Group from the Vendor at a nominal consideration, subject to (i) terms and conditions agreeable to the Company; and (ii) applicable listing rules of the SGX-ST.
- (k) Based on the review of the pro forma financial effects of the Proposed Acquisition on the Company, the NTA per Share of the Group as at 31 December 2020 (immediately following the completion of the Penjuru Disposal and Proposed Capital Reduction) will decrease from 60.3 cents to 44.6 cents and the Net Profit per Share of the Group for FY2020 (immediately following the completion of the Penjuru Disposal and Proposed Capital Reduction) 13.3 cents per share to 13.4 cents per share, after the completion of the Proposed Acquisition.

However, we note that for illustrative purpose, the pro forma financial effects had assumed that the maximum Consideration of S\$16,965,000 (comprising the First Tranche Consideration and the Balance Consideration) was paid by the Company to the Vendor on 1 January 2020, although the payment of the Balance Consideration of S\$4,965,000 is contingent on the Target Group meeting certain profit targets and will be paid to the Vendors over two years.

- (l) By entering into the Service Agreement with Mr Sun as a Condition Precedent, the Company is able to secure the services of Mr Sun, who is a key management person for the New Business, as the CEO of the Company for a minimum period of five (5) years following the completion of the Proposed Acquisition.
- (m) Mr Sun had entered into the Deed of Guarantee (in his personal capacity) in favour of the Company as continuing security for the due and punctual performance and discharge of all present and future obligations, commitments, undertakings, warranties, indemnities and liabilities of the Vendor under the Sale and Purchase Agreement, including the payment for the Option.
- (n) Mr Sun appears to be financially capable of satisfying the Vendor's obligations under the Sale and Purchase Agreement in the event that the Vendor fails to do so, in view of his substantial shareholdings in several SGX-listed companies, including the Company.
- (o) The Proposed Acquisition will be funded using the Company's internal resources and the Directors confirmed that the Group will have sufficient cash for its working capital purposes following the Proposed Acquisition.

- (p) The Proposed Acquisition and the Proposed Diversification are subject to the approval of Shareholders being obtained at the EGM. We note that Mr Sun, as an interested person, will abstain, and ensure that his associates (including MGF) abstain, from voting on the ordinary resolution relating to the Proposed Acquisition.
- (q) The Group could be affected by a number of risks that may relate to the Proposed Acquisition and Proposed Diversification. The risk factors associated with the Proposed Diversification are set out in **Section 8.6** of the Circular, in particular, we note that there is a risk of termination of the Target's Distribution Rights if (i) the Dongying Worldwide Distribution Rights are terminated or found to be defective or unenforceable as the Target's Distribution Rights are granted out of the Dongying Worldwide Distribution Rights and/or (ii) the Target fails to meet the annual sales targets set by Dongying under the CIG Distribution Agreement.

However we note that although the Target did not meet the 2019 and 2020 sales targets, Dongying agreed in the Deed of Novation that the CIG Distribution Agreement will continue to take effect in view of the global pandemic and other force majeure events

- (r) There is no assurance that Dongying will be able to renew the Dongying Worldwide Distribution Rights with Guizhou Moutai and consequently, there is no assurance that the Target Group will be able to renew the Distribution Rights when it expires on 31 December 2027.

6 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date and based on the factors set out in section 5 above, and subject to the qualifications and assumptions made herein, we are of the view that, on balance the Proposed Acquisition as an Interested Person Transaction is based on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

Accordingly, we are of the view that the Recommending Directors should recommend that Shareholders vote in favour of the Proposed Acquisition to be proposed at the EGM.

In performing our evaluation and arriving at these conclusions, we wish to emphasise that the opinion set forth herein is based solely on publicly available information and information provided by the Directors and management of the Company and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Acquisition and are based on the economic and market conditions prevailing as of the date of this IFA Letter. Our advice is strictly confined to our views on the Proposed Acquisition.

This IFA Letter (for inclusion in the Circular) and our opinion therein has been prepared as required under Listing Rule 921(4)(a) as well as for the use of the Recommending Directors in their consideration of the Proposed Acquisition and their respective recommendation to the Shareholders arising thereof. The recommendations made by the to the Shareholders in relation to the Proposed Acquisition remains the responsibility of the Recommending Directors.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not imply by implication to any other matter.

Yours faithfully
For and on behalf of
STIRLING COLEMAN CAPITAL LIMITED

YAP YEONG KEEN
DIRECTOR

APPENDIX 6 – ALTERNATIVE ARRANGEMENTS

Shareholders may electronically access the Virtual Information Session and the EGM proceedings and observe and/or listen to the live webcast or live audio feed via their mobile phones, tablets or computers, submit comments, queries and/or questions to the Chairman of the Meeting in advance of the EGM and submit Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote on his/her/its behalf at the EGM.

To do so, Shareholders will need to complete the relevant steps below.

Steps	Details
<p>Pre-registration for the Virtual Information Session; Submission of comments, queries and/or questions;</p>	<p>Shareholders will not be able to comment, raise queries and/or ask questions at the EGM during the live webcast or live audio-only stream. It is therefore important for Shareholders to submit comments, queries and/or questions to the Chairman of the Meeting in advance of the Virtual Information Session. Shareholders may also attend the Virtual Information Session comment, raise queries and/or ask questions at the Virtual Information Session.</p> <p><u>Virtual Information Session</u></p> <p>Shareholders must pre-register at the URL https://smartagm.sg/aei2022 by no later than 10.00 a.m. on Tuesday, 15 February 2022 to enable the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., to verify their status as Shareholders of the Company.</p> <p>Following the verification, authenticated Shareholders will receive an email by 10.00 a.m. on Thursday, 17 February 2022 which will contain the user ID and password details as well as the URL to access the Virtual Information Session (the “VIS Confirmation Email”).</p> <p>Shareholders who have pre-registered for the Virtual Information Session but who have not received the VIS Confirmation Email by 10.00 a.m. on Thursday, 17 February 2022, should contact the Company at EGM2022@aei.com.sg.</p> <p>Submission of comments, queries and/or questions. Shareholders may submit comments, queries and/or questions related to the resolutions in the Notice of EGM to the Chairman of the Meeting in advance of the EGM in the following manner:</p> <p>(a) By post – Shareholders may submit their comments, queries and/or questions by post to the Company’s registered office at 13 Tuas South Street, Singapore 636936.</p> <p>(b) By electronic means – Shareholders, who have pre-registered registered for the Virtual Information Session, may submit their comments, queries and/or questions by electronic means at the email EGM2022@aei.com.sg or at the URL https://smartagm.sg/aei2022.</p> <p>Comments, queries and/or questions submitted by Shareholders must be</p>

APPENDIX 6 – ALTERNATIVE ARRANGEMENTS

	<p>accompanied by the Shareholders' full name, address and the manner in which the Shareholder holds Shares in the Company.</p> <p>Deadline to submit comments, queries and/or questions. Shareholders must submit all comments, queries and/or questions by post to the registered office of the Company at 13 Tuas South Street, Singapore 636936 by 10.00 a.m. on Thursday, 17 February 2022, by email to EGM2022@aei.com.sg by 10.00 a.m. on Thursday, 17 February 2022, or by URL at https://smartagm.sg/aei2022 by 10.00 a.m. on Tuesday, 15 February 2022.</p> <p>Addressing comments, queries and/or questions. The Company will endeavour to address all substantial and relevant comments, queries and/or questions received from Shareholders at the Virtual Information Session before the EGM. The Company will publish its responses to comments, queries and/or questions at least 72 hours before the cut-off time for the submission of Proxy Forms (i.e. by 10.00 a.m. on 26 February 2022), either by releasing an announcement on the SGXNet or by publishing its responses on the Company's website at https://aei.com.sg/.</p>
<p>Pre-registration for the live webcast or live audio feed for the EGM</p>	<p>Shareholders must pre-register at the URL https://smartagm.sg/aei2022 no later than 10.00 a.m. on Monday, 28 February 2022 to enable the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., to verify their status as Shareholders of the Company.</p> <p>Following the verification, authenticated Shareholders will receive an email by 10.00 a.m. on Wednesday, 2 March 2022 which will contain the user ID and password details as well as the URL to access the live webcast or listen to the live audio feed of the proceedings of the EGM (the "Confirmation Email").</p> <p>Shareholders, who have pre-registered for the live webcast or live audio feed of the proceedings of the EGM but who have not received the Confirmation Email by 10.00 a.m. on 2 March 2022, should contact the the Company's share registrar by email at bcasmeetings@boardroomlimited.com.</p> <p>Minutes of EGM. The Company will publish the minutes of EGM on the Company's website at https://aei.com.sg/ and on SGXNet within one (1) month after the EGM. The minutes of EGM will include responses from the Board and the management to substantial and relevant comments, queries and/or questions received from Shareholders addressed at the Virtual Information Session and the EGM during the live webcast or live audio feed.</p>
<p>Submission of Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote at the</p>	<p>Appointment of Chairman of the Meeting as proxy. A Shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM in accordance with the instructions on the Proxy Form if such Shareholder wishes to exercise his/her/its voting rights at the EGM.</p> <p>Specific instructions as to voting must be given. Where a Shareholder</p>

APPENDIX 6 – ALTERNATIVE ARRANGEMENTS

EGM	<p>(whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.</p> <p>Submission of Proxy Forms. The Proxy Form must be submitted to the Company in the following manner:</p> <p>(a) if submitted by post, be lodged with the registered office of the Company at 15 Tuas South Street 13, Singapore 636936; or</p> <p>(b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at EGM2022@aei.com.sg, not less than 48 hours before the time fixed for the holding of the EGM.</p> <p>A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.</p> <p>In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.</p>
-----	---

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **AEI CORPORATION LTD.** (the “**Company**”) will be held by electronic means on 3 March 2022 at 10.00 a.m. (of which there will be a live webcast) for the purpose of considering and, if thought fit, passing, the following resolutions:

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed thereto in the Company’s Circular to Shareholders dated 9 February 2022 in respect of the resolutions herein.

AS ORDINARY RESOLUTION

RESOLUTION 1 – THE PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN MTBL GLOBAL PTE. LTD., BEING A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (“PROPOSED ACQUISITION”)

That the Proposed Acquisition be and is hereby approved and that approval be and is hereby given to the Directors:

- (a) to carry out and implement the Proposed Acquisition in accordance with the Sale and Purchase Agreement, as well as any other transactions contemplated under the Sale and Purchase Agreement; and
- (b) to complete and do all such acts and things, including without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated by the Sale and Purchase Agreement and/or this Resolution.

AS ORDINARY RESOLUTION

RESOLUTION 2 – THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE BUSINESS OF THE PRODUCTION, SALE AND DISTRIBUTION OF FOOD AND BEVERAGES (“PROPOSED DIVERSIFICATION”)

That:-

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its Existing Core Business to the New Business which includes, *inter alia*, the sale and distribution of food and beverages (including liquors and alcoholic beverages) which also includes, *inter alia*, the sale and distribution of the Products;
- (b) the Company be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of, from time to time, any such real estate, properties, assets, investments and shares/interests in any entity that is in the New Business on such terms and conditions as the Directors deem fit, and such Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts or things such as the entry by the Group into such contracts, agreements and undertakings as they deem desirable, necessary or expedient to give effect to the Proposed Diversification and diversify the Existing Core Business of the Company into the New Business; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this Resolution 2.

AS SPECIAL RESOLUTION

RESOLUTION 3 – THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “AEI CORPORATION LTD.” TO “ASCENT BRIDGE LIMITED” (“PROPOSED CHANGE OF NAME”)

That the Proposed Change of Name be and is hereby approved, and that the name “AEI Corporation Ltd.” be substituted for “Ascent Bridge Limited” wherever the latter name appears in the constitution of the Company and that the Directors be and are hereby authorised to complete and do all such acts and things as they may consider necessary or expedient to give effect to this Special Resolution 3.

BY ORDER OF THE BOARD

Dr Tan Khee Giap
Lead Independent Director
Singapore, 9 February 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The EGM will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of EGM will not be sent to members. Instead, this Notice of EGM will be published on the Company's website at <https://aei.com.sg/> and on the SGXNet.
2. The proceedings of the EGM will be broadcasted live through an audio-and-video webcast and an audio-only feed (the "Live EGM Broadcast"). Shareholders, including investors holding shares in the Company through the Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") may watch or listen to the EGM proceedings through the Live EGM Broadcast by registering at <https://smartagm.sg/aei2022> no later than 10.00 a.m. on 28 February 2022 ("Registration Cut-Off Time") to enable the Company to verify their status. Following verification, authenticated shareholders will receive an email by 10.00 a.m. on 2 March 2022 containing a link and telephone number to access the live audio-and-video webcast and live audio-only feed of the EGM proceedings. Shareholders must not forward the abovementioned link or telephone number to other persons who are not shareholders of the Company and who are not entitled to attend the EGM. This is also to avoid any technical disruptions or overload to the Live EGM Broadcast. Shareholders who register by the Registration Cut-Off Time but do not receive an email response by 10.00 a.m. on 2 March 2022 may contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. by email at bcasmeetings@boardroomlimited.com.

Investors holding Shares through Depository Agents should contact their respective Depository Agents as soon as possible so as to allow necessary arrangements to be made for them to participate in the live webcast of the EGM.
3. **Due to the current COVID-19 restriction orders in Singapore, shareholders will not be able to attend the EGM in person. Shareholders will also not be able to vote online on the resolution(s) to be tabled for approval at the EGM. A member (whether individual or corporate) must appoint the Chairman of the EGM ("Chairman") as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. The Chairman, as proxy, need not be a member of the Company.** The instrument for the appointment of proxy ("proxy form") may be accessed at the Company's website at <https://aei.com.sg/> or the SGXNet. Where a member (whether individual or corporate) appoints the Chairman as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman as proxy for that resolution will be treated as invalid.
4. CPF or SRS investors who wish to vote should approach their respective CPF Agent Bank or SRS Operator to submit their voting instructions at least seven (7) working days before the date of the EGM (i.e. by 5.00 pm. on 22 February 2022). This is so as to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman to vote on their behalf by 10.00 a.m. on 1 March 2022.
5. The instrument appointing the Chairman of the EGM as proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be (a) deposited at the registered office of the Company at 15 Tuas South Street 13, Singapore 636936; or (b) submitted by email to bcasmeetings@boardroomlimited.com, in either case not less than forty-eight (48) hours before the time appointed for holding the EGM.

Please note that shareholders will not be able to vote through the Live EGM Broadcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
7. Shareholders will not be able to ask questions 'live' during the broadcast of the EGM. However, Shareholders who pre-register for the Virtual Information Session by 10.00 a.m. on 15 February 2022 (the "VIS Registration Cut-Off Time"), may submit their questions relating to the items on the agenda of the EGM via post to the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 by 10.00 a.m. on 17 February 2022, via email to EGM2022@aei.com.sg by 10.00 a.m. on 17 February 2022, or via the URL <http://smartagm.sg/aei2022> by 10.00 a.m. on 15 February 2022, stating their name and identification number for verification. The Virtual Information Session will be held at 10.00 a.m. on 18 February 2022.

Following verification, Shareholders who have registered for the Virtual Information Session will receive an email containing the user ID and password details as well as the URL to access the Virtual Information Session ("VIS Confirmation Email"). Shareholders who have pre-registered for the Virtual Information Session but who have not received the VIS Confirmation Email to access the Virtual Information Session by 10.00 a.m. on 17 February 2022 should contact the Company at EGM2022@aei.com.sg.

The Company will endeavor as far as possible to address all substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM received from Shareholders by 10.00am on 17 February 2022, at the Virtual Information Session and before the EGM. The Company will publish its responses to the questions at least 72 hours

NOTICE OF EXTRAORDINARY GENERAL MEETING

before the cut-off time for the submission of Proxy Forms (i.e. by 10.00 a.m. on 26 February 2022), either by releasing an announcement on the SGXNet or by publishing its responses on the Company's website. Following the EGM, the minutes of the EGM, together with the substantial and relevant questions, comments and queries received from Shareholders and the Company's responses, will be posted on the SGXNet and the Company's website within one (1) month after the date of the EGM.

8. Printed copies of this Circular, the Notice of EGM and the Proxy Form with respect to the EGM will not be despatched to Shareholders. Copies of this Circular, the Notice of EGM and the Proxy Form have been uploaded on SGXNet and are also available on the Company's website at: <https://aei.com.sg/>. Shareholders are advised to check SGXNet and/or the Company's website regularly for updates.

PERSONAL DATA PRIVACY: By submitting an instrument appointing the Chairman of the EGM as proxy to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

PROXY FORM

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

PROXY FORM
Extraordinary General Meeting
(Please see notes overleaf before completing this Form)

IMPORTANT

1. This Proxy Form is not valid for use by investors who hold shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), including CPF and SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF and SRS investors who wish to appoint the Chairman of the EGM as proxy to vote on their behalf should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions at least seven (7) working days before the EGM (i.e. by 5.00 p.m. on 22 February 2022). Other investors holding shares in the Company through relevant intermediaries who wish to vote should approach their relevant intermediaries as soon as possible to specify voting instructions.

PERSONAL DATA PRIVACY

2. By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 9 February 2022.

I/We, _____ (name)
of _____ (address)
being a member/members of **AEI Corporation Ltd.** (the “**Company**”), hereby appoint the Chairman of the Extraordinary General Meeting of the Company as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held by electronic means on 3 March 2022 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against or abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting in the spaces provided hereunder.

In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Extraordinary General Meeting as your proxy for that resolution will be treated as invalid. All resolutions would be put to vote by poll in accordance with the listing rules of Singapore Exchange Securities Trading Limited.

(If you wish to exercise all your votes “For”, “Against” or “Abstain”, please tick [✓] within the box provided. Alternatively, please indicate the number of shares the Chairman of the Extraordinary General Meeting, as your proxy, is directed to vote “For”, “Against” or “Abstain”.)

Resolutions	For	Against	Abstain
Ordinary Resolution 1: The Proposed Acquisition			
Ordinary Resolution 2: The Proposed Diversification			
Special Resolution 3: The Proposed Change of Name			

Dated this _____ day of _____ 2022

Signature of Shareholder(s)/ Common Seal of Shareholder

**Delete where inapplicable*

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. The instrument appointing the Chairman of the EGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
2. The instrument appointing the Chairman of the EGM as proxy, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be submitted (a) by mail to the registered office of the Company at 15 Tuas South Street 13, Singapore 636936; or (b) by email to EGM2022@aei.com.sg, not less than forty-eight (48) hours before the time appointed for the EGM.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

3. A member should insert the total number of Shares held. If the member has Shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert the number of Shares. If the member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of Shares. If no number of Shares is inserted, this form of proxy will be deemed to relate to all the Shares held by the member.
4. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument of proxy lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
5. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM unless his name appears on the Depository Register 72 hours before the time set for the EGM.
6. Personal data privacy: By submitting this instrument of proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 9 February 2022.