AEI CORPORATION LTD.
(Incorporated in the Republic of Singapore)
Company Registration Number: 198300506G

PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN MTBL GLOBAL PTE. LTD.

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1. INTRODUCTION

1.1 **Proposed Acquisition.** The Board of Directors (the "**Board**" or "**Directors**") of AEI Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that it has on 31 December 2020 entered into a sale and purchase agreement ("**SPA**") with Capital Impetus Group Limited (the "**Vendor**"), pursuant to which the Company will acquire from the Vendor all issued shares (the "**Sale Shares**") in the issued share capital of MTBL Global Pte. Ltd. (the "**Target**"), for an aggregate consideration of up to S$20,000,000, subject to the terms and conditions of the SPA (the "**Proposed Acquisition**").

1.2 The Proposed Acquisition constitutes an "Interested Person Transaction" and a "Major Transaction" as defined under Chapter 9 and Chapter 10 of the Listing Manual respectively.

2. RATIONALE

Faced with extremely challenging operating conditions in its existing aluminium extrusion business in recent years, the Company has been reviewing potential diversification projects to enhance the Group's growth and profitability. The Proposed Acquisition presents an opportunity for the Company to acquire a business with a global distribution right (excluding mainland China) of a highly valuable liquor brand[1]. 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 other liquors or alcoholic beverages. The Proposed Acquisition is in line with the Company's strategic plans to increase the Group's revenue and help to enhance profitability, thereby bringing additional value to the Company and its Shareholders.

3. INFORMATION RELATING TO THE TARGET GROUP AND THE VENDOR

As at the date of this announcement (the "**Announcement**"), the Target holds shareholding interest in MTBL Cultural Centre Pte. Ltd. ("**MTBL Cultural**"), and also in a number of recently incorporated overseas companies, namely 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**").

3.1 The Target Group

(a) **Target.** The Target, MTBL Global Pte. Ltd., 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 has an issued and paid-up capital of S$5,754,780 divided into 5,754,780 shares.

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

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[1] Spirit 50 2019 Annual Report on the World's Most Valuable Spirits Brands issued by Brand Finance in June 2019. Brand Finance is the world's leading independent brand valuation and strategy consultancy headquartered in London, United Kingdom.

rights to market and sell Moutai Bulao 125ml liquor 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. Moutai Bulao liquor is produced by Guizhou Moutai Winery (Group) Health Wine Co., Ltd. ("**GZMT**") in China's Guizhou province. GZMT is a wholly owned subsidiary of the Moutai group, which is one of the world's largest distillers by market capitalisation as at June 2019[2] and one of the world's most valuable spirits brands.[1]

(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. 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 restaurant business.

(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 Hom, Kowloon. 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.

(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. MTBL USA has an issued and fully paid-up capital of US$10,000 divided into 10,000 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.

(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. 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.

3.2 **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.

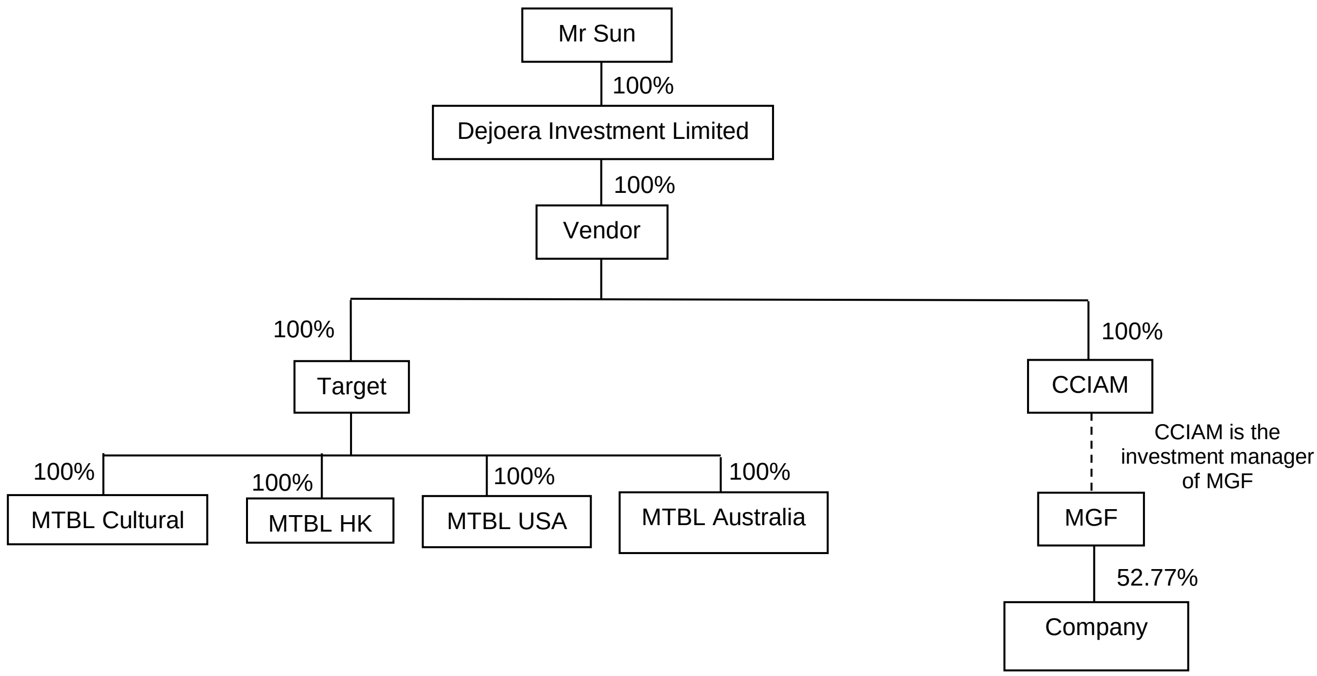
The Vendor is wholly-owned by Dejoera Investment Limited, which is in turn wholly owned by Mr Sun Quan ("**Mr Sun**"). Mr Sun is also the Executive Director of the Company.

3.3 **The Relationship between the Company, the Vendor, Mr Sun and the Target Group.** MTBL Global Fund (formerly known as New Impetus Strategy Fund) ("**MGF**") is a substantial shareholder of the Company. China Capital Impetus Asset Management Pte. Ltd. ("**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.

[2] Financial Times, "Chinese liquor maker Kweichow Moutai hits Rmb1,000 milestone" (27 June 2019) (See https://www.ft.com/content/0019ec5a-988a-11e9-8cfb-30c211dcd229) (Last accessed on 31 December 2020)



3.4 Financial Information of the Target Group. The audited consolidated net asset value ("**NAV**") and net tangible assets ("**NTA**") attributable to the shareholders of the Target Group as at 31 December 2019 is approximately S$249,899 and -S$2,673,553 respectively. The total assets and total liabilities of the Target Group as at 31 December 2019 is S$6,020,106 and S$5,770,207 respectively. Under the terms of the SPA, it is a condition precedent to completion of the sale and purchase of the Sale Shares in accordance with the SPA ("**Completion**") that the NAV of the Target is not less than S$5,000,000.

Based on the audited financial statements of the Target Group for the financial period from 6 December 2018 (being the date of incorporation of the Target) to 31 December 2019, the Target Group's profits before income tax, minority interest and extraordinary items is approximately S$295,056.

A summary of the financial information of the Target Group is set out in Appendix A.

4. KEY TERMS OF THE PROPOSED ACQUISITION

4.1 The Proposed Acquisition. Subject to the terms and conditions of the SPA, the Vendor shall sell to the Company, and the Company shall acquire from the Vendor, the Sale Shares.

4.2 Terms of Sale. The Sale Shares shall be sold and transferred free from all encumbrances and with all rights attached thereto as at the date of Completion ("**Completion Date**").

4.3 Consideration. Subject to the terms and conditions of the SPA, the aggregate consideration payable by the Company to the Vendor for the Proposed Acquisition shall be determined in accordance with paragraph 4.4 below and shall be subject to a maximum of S$20,000,000 ("**Consideration**") payable in the following manner:

(a) 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 on the Completion Date; and

(b) the remaining balance Consideration (if any) (the "**Balance Consideration**"), which shall be satisfied by way of cash, 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 31 December 2021 ("**FY21**") and/or the financial year ending 31 December 2022 ("**FY22**").

4.4 Determination of Consideration. The Consideration shall be determined as follows:

$$\boldsymbol{Consideration = K \; x \; AV}$$

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 an independent valuer appointed by the Company;

(ii) one (1) valuation shall be conducted by an independent valuer appointed by the Vendor;

(iii) the effective date of the valuation reports must not be more than 6 months from the date of the Circular (as defined below);

(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).

A summary of the further terms and conditions in relation to the Balance Consideration is set out in Appendix B.

4.5 Basis of Consideration. 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 valuation report issued by the Company's appointed valuer on the indicative valuation of the Target Group ("**Draft Valuation Report**"); 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.

4.6 Option. Subject to the terms and conditions of the SPA, the Company shall have the right to sell the Sale Shares to the Vendor in the event any of the following events occur:

(a) **Option Trigger Event 1.** The Target Group does not achieve the specified profit target for FY22 (the "**FY22 Target**"); or

(b) **Option Trigger Event 2.** The Target Group does not achieve the specified accumulated profit target for FY22, the financial year ending 31 December 2023 ("**FY23**") and the financial year ending 31 December 2024 ("**FY24**") (together, the "**FY22-FY24 Target**"); or

(c) **Option Trigger Event 3.** The Distribution Rights are terminated ("**Distribution Rights Termination**") and as at the date of the Distribution Rights Termination, the cumulative audited profit before tax (disregarding amortisation of the Distribution Rights) of the Target Group is less than the Consideration paid by the Company.

Please see Appendix B for further details on the Company's right to sell the Sale Shares back to the Vendor.

4.7 Deposit. The Company shall pay the Vendor a refundable cash deposit ("**Deposit**") of S$600,000, within 7 business days from the date of entering into the SPA. On Completion, the Deposit shall be set-off against the First Tranche Consideration payable by the Company. The Deposit shall be fully refunded to the Company within 7 business days from the date of termination of the SPA.

4.8. Conditions Precedent. Completion will be conditional upon the satisfaction or waiver (in accordance with the terms and conditions of the SPA) of, conditions precedent set out in the SPA ("**Conditions Precedent**"), including but not limited to (a) satisfactory due diligence into the Target Group, (b) the NAV of the Target not being less than S$5,000,000 and (c) specific approval of the Shareholders approving the Proposed Acquisition.

A summary of the key Conditions Precedent is set out in Appendix C.

4.9 Completion. Completion will take place within 7 business days after the date of the satisfaction or waiver of the Conditions Precedent, as the case may be (or at such other later date as the Company and the Vendor may agree in writing).

4.10 Long Stop Date. Subject to the terms of the SPA, the Company and the Vendor shall each be entitled to terminate the SPA at any time on or prior to 12 months from the date of the SPA, 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.

4.11 Undertakings and Warranties. Each of the Vendor and the Company 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 ("**Shares**") in the capital of the Company ("**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 grant of the Performance Shares to Target Key Management shall be subject to performance targets (to be determined by the Company's remuneration committee) ("**Performance Targets**") being fulfilled; and

(e) 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 audited profit before tax (disregarding amortisation of the Distribution Rights) of the Target Group for that financial year.

4.12 Indemnity. The Vendor undertakes that it shall fully indemnify the Company against, *inter alia*, all losses which may be incurred by the Company as a result of or in connection with any breach of the warranties and undertakings given by the Vendor.

5. SOURCE OF FUNDS

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

6. DIRECTORS' SERVICE CONTRACTS

It is a condition precedent under the SPA that Mr Sun enters into a 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 5 years. In the event Mr Sun steps down as CEO, he shall remain as a Director of the Company for the duration of the Distribution Rights.

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.

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. 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.

Mr Sun is the indirect sole shareholder of the Vendor. As such, Mr Sun is an associate of the Vendor and thus an "interested person".

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

Please refer to Section 3.3 of this Announcement for more information on the relationship between the Company, the Vendor, Mr Sun and the Target Group.

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$44,963,000[3], the amount at risk of the Proposed Acquisition to the Company against the Group's latest audited NTA is 44.5%. 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.

7.3 Current and Ongoing Interested Person Transactions. Save for the Proposed Acquisition and any fees or remuneration received by Mr Sun as a director of the Company, the aggregate value of all interested person transactions entered into by the Group with the Vendor or its associates during the current financial year beginning 1 January 2020 up to the date of this Announcement is approximately US$1,000,000.

The aggregate value of all interested person transactions entered into by the Group for the current financial year beginning 1 January 2020 up to the date of this Announcement is approximately US$1,000,000.

7.4 Independent Financial Adviser. Pursuant to Chapter 9 of the Listing Manual, the Company will be appointing an independent financial adviser ("**IFA**") to the independent directors of the Company in relation to the Proposed Acquisition. A copy of the letter from the IFA to the independent directors of the Company will be included in the Circular (as defined below) which will be despatched to Shareholders in due course.

7.5 Audit Committee's Statement. The Audit Committee of the Company will obtain an opinion from the IFA on the Proposed Acquisition before forming its view, which will be disclosed in the Circular, as to whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

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

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

Rule 1006(a): Net asset value of assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006(b): Net profits attributable to the assets acquired, compared with the Group's net loss	-5.5%[(1)]
Rule 1006(c): 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	40.0%[(2)]
Rule 1006(d): Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e): 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:

[3] As at the date of this Announcement, the Group's latest available audited NTA is based on the Group's audited accounts as at 31 December 2019.

(1) The adjusted net profits of the Target Group for the period from 6 December 2018 (being the date of incorporation of the Target) to 31 December 2019 was approximately S$295,000. The net loss of the Group for the financial year ended 31 December 2019 was S$5,369,000. Under Rule 1002(3) of the Listing Manual, net profits means “profit or loss before income tax, minority interests and extraordinary items”.

(2) Based on the maximum Consideration (being S$20,000,000) 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 SPA. 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)

8.2 Major Transaction. As the relative figures computed under Rules 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 and is subject to the approval of Shareholders in a general meeting.

9. FINANCIAL EFFECTS

The proforma financial effects of the Proposed Acquisition are set out in Appendix D.

10. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Mr Sun discloses that, as at the date of this Announcement, he is the CEO 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 SPA, Mr Sun will also be entering into a deed of guarantee in favour of the Company to guarantee the performance of the Vendor’s obligations, indemnities and liabilities in the SPA.

Save as disclosed in this Announcement, 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 Acquisition; and (ii) there are no substantial shareholders in the Company who have any interest, direct or indirect, in relation to the Proposed Acquisition.

11. FURTHER INFORMATION

11.1 Circular. The Proposed Acquisition is subject to Shareholders’ approval. As such, a circular (“**Circular**”) containing further information on the Proposed Acquisition, together with a notice of the extraordinary general meeting of the Company, will be despatched by the Company to Shareholders in due course.

11.2 Valuation Report. The Draft Valuation Report will be updated and its final version will be issued by the Company’s appointed valuer in due course. The final valuation report together with the valuation report to be issued by the Vendor’s appointed valuer, will both be made available for inspection by Shareholders upon despatch of the Circular.

11.3 Documents for Inspection. A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this Announcement.

12. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Proposed Acquisition is subject to numerous conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

13. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (other than information relating to the Target Group and the Vendor, including in particular paragraph 3 of this Announcement (the "**Third Party Information**")) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (other than information relating to the Third Party Information) are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

The directors of the Vendor (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the Third Party Information given in this Announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (only in respect of the Third Party Information) are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors and the directors of the Vendor respectively has been to ensure that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

By Order of the Board
AEI CORPORATION LTD.

Yeung Koon Sang alias David Yeung
Independent Non-Executive Chairman
31 December 2020

APPENDIX A

FINANCIAL HIGHLIGHTS OF THE TARGET GROUP

A summary of the audited financial statements of the Target Group for the financial period from 6 December 2018 (being the date of incorporation of the Target) to 31 December 2019 ("**FP2019**") are set out below ("**Target Group Financial Statements**").

(A) Summary of Consolidated Income Statement

	FP2019 (S$)
Revenue	1,752,832
Other income	-
	1,752,832
Cost of goods sold	(1,090,086)
Gross Profit	662,746
Other gains	13,232
Marketing and distribution costs	(133,021)
Administrative and operating expenses	(237,058)
Finance cost	(10,843)
Profit before income tax	295,056
Income tax expense	(55,157)
Profit, net of tax and total comprehensive income	239,899

(B) Summary of Consolidated Balance Sheet

	As at 31 December 2019 (S$)
Assets	
Non-current assets	
Property, Plant and Equipment	402,545
Intangible asset	2,511,285
Right-of-use asset	412,167
Subsidiaries	-
Total non-current assets	3,325,997
Current Assets	
Inventories	1,094,700
Trade and other receivables	1,507,445
Other assets	67,309
Cash and cash equivalents	24,655
Total current assets	2,694,109
Total assets	6,020,106
Equity	
Share capital	10,000
Retained earnings	239,899
Total equity	249,899
Non-current liabilities	
Provision	25,000
Other financial liability	3,277,163
Lease liability	254,635
Total non-current liabilities	3,556,798
Current Liabilities	
Income tax payables	55,157
Trade and other payables	2,016,976
Lease liability	141,276
Total current liabilities	2,213,409
Total liabilities	5,770,207
Total equity and liabilities	6,020,106

APPENDIX B

CONDITIONS AND ADJUSTMENTS TO CONSIDERATION

1. Balance Consideration

1.1. Conditions

The Balance Consideration is conditional upon the satisfaction (or waiver by the Company in its sole discretion) of the following conditions:

(a) Completion taking place; and

(b) the Distribution Rights held by the Target are valid and subsisting.

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

	Profit Target	Balance Consideration payable	Payment Date
(a)	The Target Group recording an Adjusted PBT for FY21 of <u>at least S$2,000,000</u> based on the audited financial statements of the Target Group for FY21 ("**FY21 Target**")	50% of Balance Consideration	The applicable Balance Consideration shall be payable within seven (7) business days after the release date of the audited financial statements of the Target Group for the corresponding financial year (or such other later date as the Vendor and the Company may agree in writing).
(b)	The Target Group recording an Adjusted PBT for FY22 of <u>at least S$4,000,000</u> based on the audited financial statements of the Target Group for FY22 ("**FY22 Target**")	50% of Balance Consideration	
(c)	In the event: (i) the FY21 Target is not satisfied; <u>and</u> (ii) the Target Group records an Adjusted PBT for FY22 of <u>at least S$6,000,000</u> based on the audited financial statements of the Target Group for FY22.	100% of Balance Consideration, provided that no payment has been made under paragraph 1.2(a).	

2. Option

2.1. Option

(a) The Company has 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 defined below), on the terms and subject to the conditions of the SPA ("**Option**").

(b) Subject to paragraphs 2.2 and 2.4(c), the Option may be exercised by the Company any time from the relevant Option Trigger Date (as defined in paragraph 2.3 below) ("**Option Exercise Period**").

(c) All outstanding loans or debts owing by the Target Group to the Company shall be fully repaid on the Option Completion Date.

(d) For the purposes of this paragraph 2.1:

(i) Unless otherwise agreed by the Company and the Vendor, "**Option Consideration**" means:

$$C + E - D$$

Where:

"**C**" means the actual Consideration paid by the Company to the Vendor for the acquisition of the Target Group ("**AEI Consideration Payment**");

"**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;

"**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).

(ii) "**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 6 months from the date of the option exercise notice.

2.2. <u>Option Trigger Events</u>

The Company shall have the right to exercise the Option if any of the following events (being Option Trigger Event 1, Option Trigger Event 2 and Option Trigger Event 3) occur:

(a) the Target Group does not satisfy the FY22 Target ("**Option Trigger Event 1**");

(b) the Target Group does not record an accumulated Adjusted PBT for FY22, FY23 and FY24 ("**Actual FY22-FY24 APBT**") of at least S$8,000,000 based on the corresponding audited financial statements of the Target Group ("**FY22-FY24 Target**") ("**Option Trigger Event 2**");

(c) both of the following occur ("**Option Trigger Event 3**"):

(i) the Target no longer has the Distribution Rights for any reason whatsoever (except due to expiry of the Distribution Rights) ("**Distribution Rights Termination**"); and

(ii) 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.

2.3. <u>Option Trigger Date</u>

For the purposes of this paragraph 2, "**Option Trigger Date**" shall mean:

(a) in respect of Option Trigger Event 1, the release date of the audited financial statements of the Target Group for FY22; or

(b) in respect of Option Trigger Event 2, the release date of the audited financial statements of the Target Group for FY24; or

(c) in respect of Option Trigger Event 3, the date of the Distribution Rights Termination.

2.4. <u>Substitute Business</u>

(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.

(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 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 2) shall expire upon completion of the Substitute Business Acquisition.

3. Definitions

In this <u>Appendix B</u>:

"**Adjusted PBT**" means the audited profit before tax (disregarding amortisation of the Distribution Rights);

"**FY21**" means the financial year ending 31 December 2021;

"**FY22**" means the financial year ending 31 December 2022;

"**FY23**" means the financial year ending 31 December 2023; and

"**FY24**" means the financial year ending 31 December 2024.

APPENDIX C

KEY CONDITIONS PRECEDENT

1. Due Diligence

The Company being satisfied with its due diligence investigations into the financial, accounting, legal, tax and business of the Target Group.

2. Net Asset Value

The net asset value of the Target being not less than S$5,000,000.

3. Deed of Novation

The Target entering into a 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.

4. Service Agreement

(a) 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 5 years from the Completion Date.

(b) 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.

(c) Within 5 business days of the SPA and in any case no later than payment of the Deposit, Mr Sun entering into a 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 SPA.

5. 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.

6. 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 SPA, 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.

7. <u>Shareholders' Approval</u>

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

APPENDIX D

COMBINED PROFORMA FINANCIAL EFFECTS

1. BASES AND ASSUMPTIONS

1.1. **Bases.** The combined proforma financials effects of the Proposed Acquisition on the Group as set out in this Appendix D are based on:

(a) the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 ("**FY2019**"); and

(b) the consolidated financial statements of the Target Group for the financial period from 6 December (being the date of incorporation of the Target) to 31 December 2019.

1.2. **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 2019;

(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 2019;

(c) the maximum Consideration of S$20,000,000 (comprising the First Tranche Consideration and the Balance Consideration) is paid by the Company to the Vendor; and

(d) costs and expenses in connection with the Proposed Acquisition are disregarded for the purposes of calculating the financial effects.

1.3. **Proforma Financial Effects.** The proforma financial effects of the Proposed Acquisition as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or the Group, prepared according to the relevant accounting standards, following the Proposed Acquisition.

2. COMBINED PROFORMA FINANCIAL EFFECTS

2.1. NTA

	As at 31 December 2019	**Immediately following completion of the Proposed Acquisition**
NTA of the Group (S$'000)	44,963	22,289^
Number of Shares excluding Treasury Shares	54,722,959	54,722,959
NTA Per Share (S$ cents)	82.2	40.70

^The net book value of the Group, including intangible assets and goodwill, immediately following completion of the Proposed Acquisition is S$45,203,000.

2.2. **EPS**

	FY2019	**Immediately following completion of the Proposed Acquisition**
Net profit/ (loss) of the Company and its subsidiaries for FY2019 (S$'000)	(5,855)	(5,615)
Weighted average number of Shares in issue	56,498,316	56,498,316
Net profit/ (loss) per Share (Cents) - Basic and diluted	(10.4)	(9.9)

2.3. **Share Capital**

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