



AEI Corporation Ltd.

**Virtual Information Session
18 February 2022**

Content

- Overview of MTBL Global Pte Ltd
- Market Overview of Baijiu
- Rational for the Proposed Diversification
- Key terms of Sales and Purchase Agreement
- Protection Mechanism for Company
- Summary of Independent Financial Adviser's View

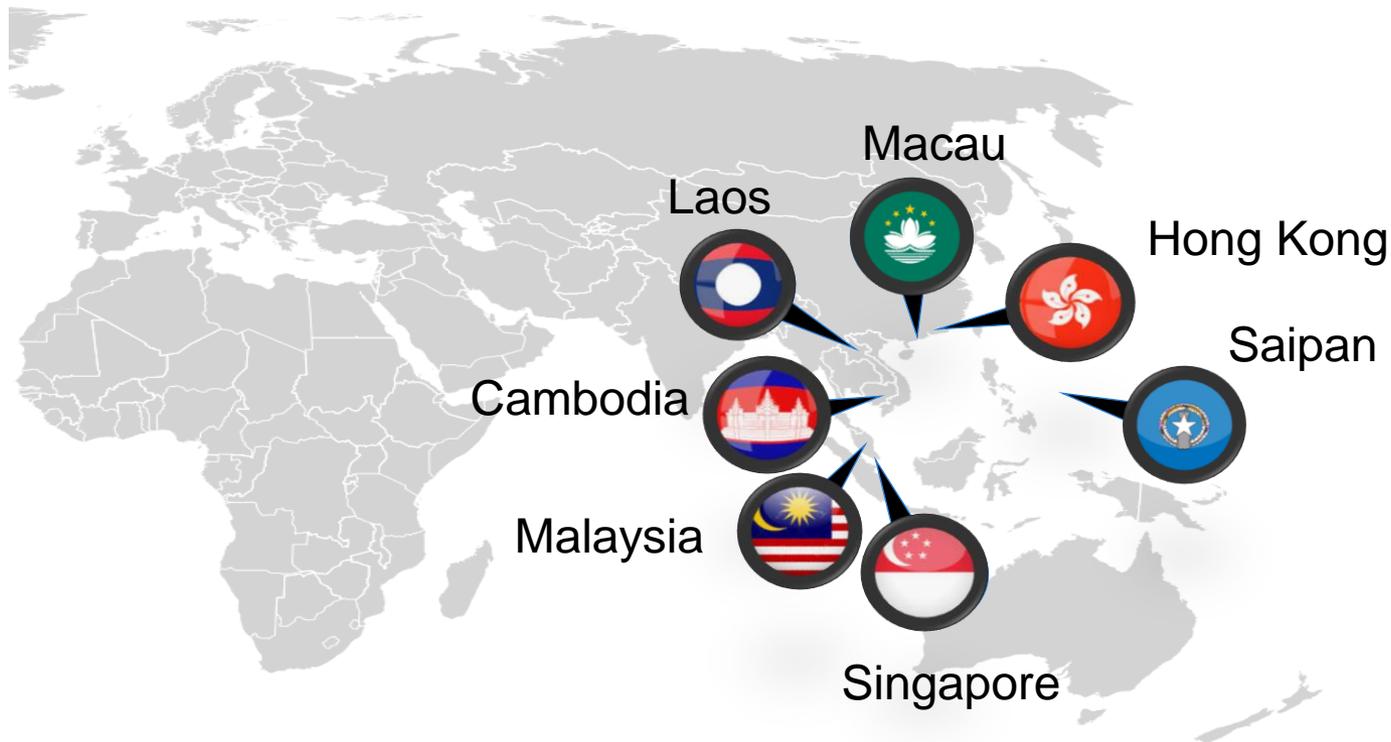
Overview of MTBL Global Pte Ltd

Overview of MTBL Global Pte. Ltd.

- MTBL Global Pte. Ltd. (“**Target**” and with its subsidiaries “**Target Group**”) is principally engaged in the promotion, sale and distribution of Moutai Bulao 125ml liquor products (the “**Product**”) 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.
- The Target Group is engaged in the wholesale distribution of the Product to liquor stores, developing and managing liquor distribution and sales channels and developing overseas markets.
- The Target Group owns the exclusive distributor rights to market and sell the Product worldwide (except in Mainland China) until 31 December 2027.
- The Target Group has deployed 42 smart vending machines in 42 Chinese restaurants in Singapore and plans to introduce the Products in 39 other cities.

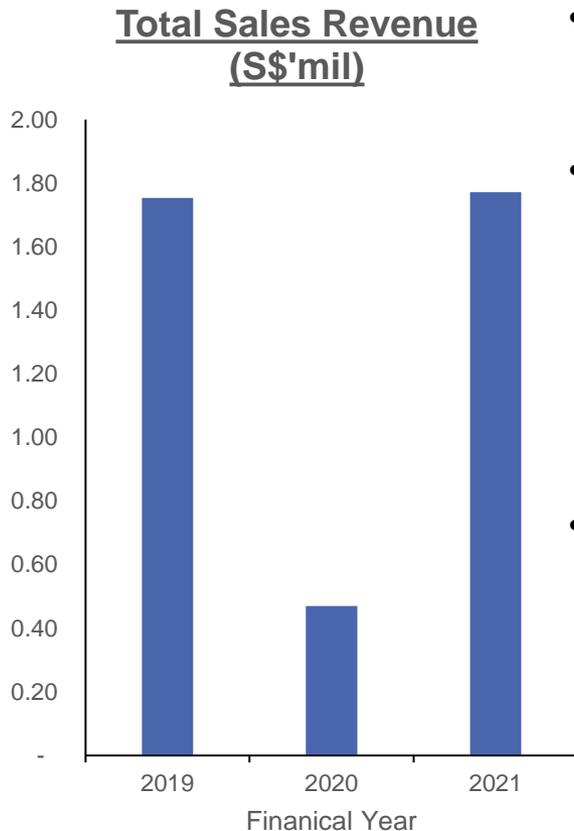
Overview of MTBL Global Pte. Ltd. (cont'd)

- As at the Latest Practicable Date, the Target has signed distribution agreements to appoint distributors in the following countries:



- The Target Group intends to establish up to 16 cultural centers in major cities worldwide.

Historical Sales Track Records of The Target Group

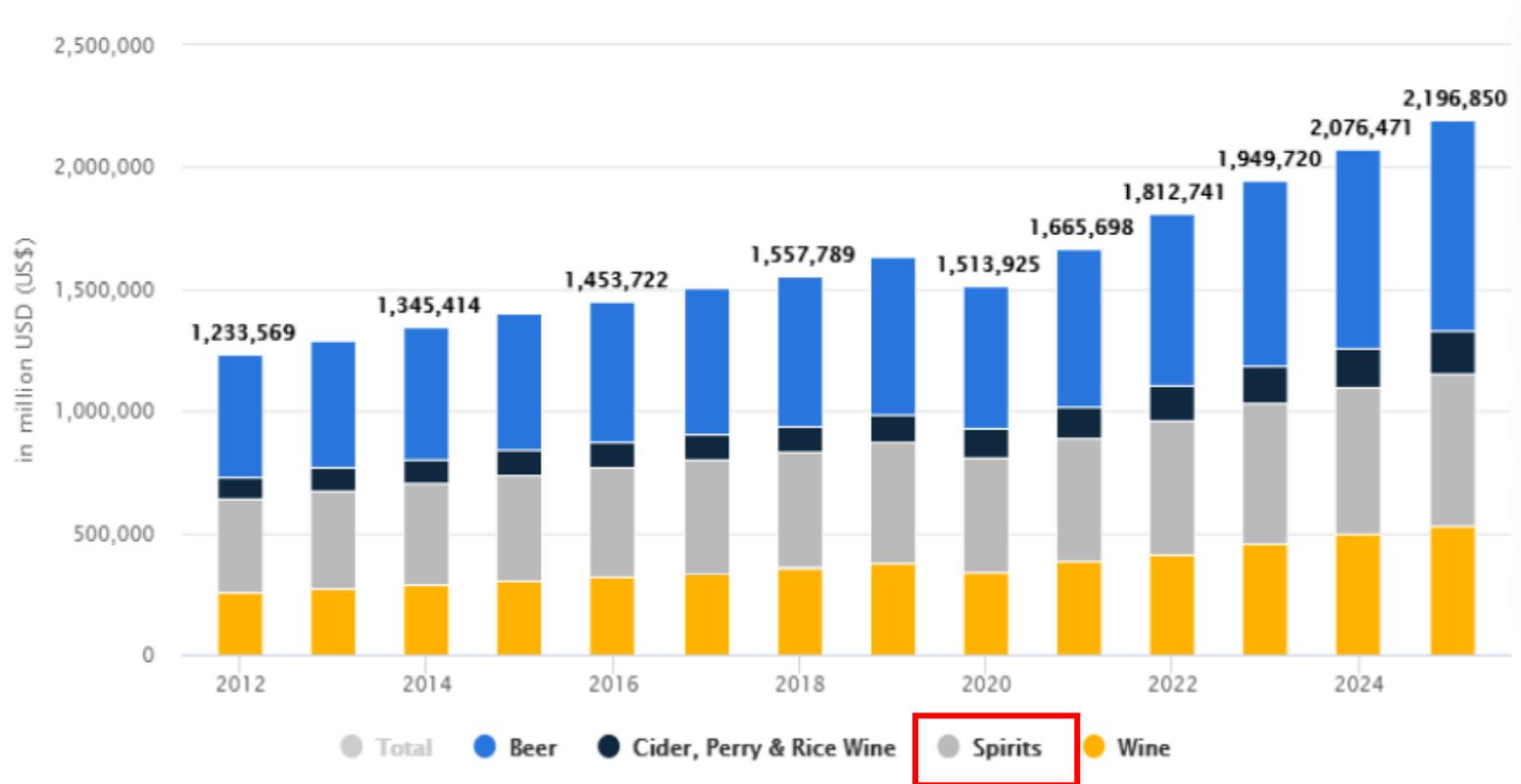


- The Target Group was profitable during its first year of operation in FY2019.
- COVID-19 severely impacted businesses worldwide in 2020, including the Target Group's businesses in Singapore, Cambodia, Laos, Saipan, Hong Kong and Macau. In addition, operational limitations on F&B businesses including restrictions against dining-in heavily impacted the Target Group's sales of the Product in FY2020.
- The Target was able to make progress in building its sales and distribution infrastructure (i.e. developing smart vending machines, obtaining liquor licenses in several countries and entering into strategic agreements with distributors) and still distribute the Products in several countries. In result, the Target Group has managed to turn profitable in FY2021.



Market Overview of Baijiu

Revenue in Global Alcoholic Drinks



Source: Statista (forecast adjusted for expected impact of COVID-19)

Revenue in Global Alcoholic Drinks

- As of November 2020, the top 3 countries with the most revenue from sales of alcoholic drinks are China, the United States and Japan.
- The Spirits market, which consists of Baijiu, look set to continue its positive global market sentiment with a revenue size of US\$470,658 million in 2020. The market is expected to grow by 6.0% compound annual growth rate from 2020 to 2025, with liquors & other spirits set to occupy the largest share of the market, at an estimated 50.7%.
- Baijiu has an important place in the Chinese Culture and is an integral part of Chinese social events.

Overview of Spirits Market - Worldwide

World's Top Spirit Companies

(The list is not exhaustive and only includes selected companies sorted by revenue)

Ranking	Company	Country	LTM revenue (US\$ million)	Year-on-year change in revenue (%)
1	 Diageo PLC	Britain	17,155	8.3%
2	 Kweichow Moutai	China	16,218	11.1%
3	 Pernod Ricard	France	11,123	13.5%
4	 Wuliangye Yibin	China	9,926	16.3%
5	 Jiangsu Yanghe Brewery	China	3,710	15.2%
6	 Brown-Forman	United States	3,614	7.9%
7	 Shanxi Xinghuacun Fen Wine Factory	China	3,210	59.4%
8	 Luzhou Laojiao	China	2,947	20.2%
9	 Davide Campari-Milano	Italy	2,469	13.4%
10	 Anhui Gujing distillery	China	1,895	19.9%

Source: Bloomberg

Overview of the Spirits Market - Worldwide (Cont'd)

- On a trailing-twelve-month basis as of 30 September 2021, Diageo PLC has had the highest reported revenue amounting to US\$17.2 billion, followed by Kweichow Moutai, which registered a US\$16.2 billion in revenue over the same period.
- From the previous table, it was observed that most Chinese spirit companies registered a year-on-year growth in revenue of more than 10%.
- Kweichow Moutai, one of the largest listed companies in China is ranked #2 globally and ranked #1 in China. Accordingly, there should be no major issues with the quality and saleability of the Product.
- The cultural significance of Baijiu is a demand driver for the product

Overview of Spirits Market – China

- Chinese spirits brands continue to dominate global spirits rankings, with Kweichou Moutai continuing to be the most valuable spirit brand in 2021.

Most valuable spirits brands – Top 5



Source: Brand Finance Alcoholic Drinks 2021 Report, Savills' analysis.



Rationale For The Proposed Diversification

Rationale for the Proposed Diversification

- The Company 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 therefore seek to diversify revenue streams that will provide long term growth.
- The F&B industry is a necessary and resilient industry and will continue to generate stable income. The Company anticipates the new revenue streams to grow over time and improve the financial condition of the Group.
- Kweichou Moutai's Moutai Bulao is an established brand of Baijiu and is in great demand in China.

Rationale for the Proposed Diversification

- The Company believes that there is a strong demand for Baijiu, and Moutai Bulao in particular, in overseas markets outside of Mainland China.
- Significant potential (given time and sufficient resources) in expanding sales of the Product outside China through the optimisation and efficient management of distribution channels.
- 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.



Key terms of Sales and Purchase Agreement

Key term of the Sales and Purchase Agreement

Total cash consideration of S\$16,965,000 to be satisfied in the following manner:

- First tranche consideration being S\$12,000,000
- Balance Consideration of \$4,965,000 to be paid in accordance with profit targets set out on the next slide.

Key terms of the Sales and Purchase Agreement (Cont'd)

Profit target	Percentage of Balance Considerable Payable	Amount of Balance Consideration Payable
i. The Target Group recording an Adjusted PBT for FY22 of at least S\$2,000,000 (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: <ol style="list-style-type: none"> 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 (i) or (iii) above.	S\$4,965,000



Protection Mechanism For Company

Protection Mechanism for Company

- Option for the Company to require Capital Impetus Group Limited (the “**Vendor**”) to purchase from the Company the entire shares of the Target if:
 - Adjusted PBT of FY23 of the Target Group is less than S\$4,000,000 or
 - Accumulated Adjusted PBT of FY23, FY24 and FY25 is less than S\$8,000,000
- Option for the Company to agree to purchase a business that is a reasonable substitute to the existing business of the Target Group, to be procured by the Vendor if:
 - Target Group does not have the Distribution Rights for reasons other than the expiry of the Distribution Rights; **and**
 - As at date where the Target does not have the Distribution Rights, the cumulative Adjusted PBT of the Target Group is less than the actual consideration paid for the Proposed Acquisition



Summary of Independent Financial Adviser's (“**IFA**”) view

Key summary of IFA's View

- The IFA is of the opinion that, on balance, the Proposed Acquisition as an interested person transaction is based on normal commercial terms and not prejudicial to the interests of the Company and its independent shareholders after taking the following into consideration:
 - 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
 - The Consideration of S\$17,000,000 is at approximately S\$1,900,000 or 10.0% discount to the average appraised value of S\$18,900,000 million by the Independent Valuers

Key summary of IFA's View

- 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.
- In the event that Option Trigger Event 3⁽¹⁾ 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 SGXST.

Note:

(1) Please refer to definition in the Circular

THANK YOU