

ASCENT BRIDGE LIMITED
(Incorporated in the Republic of Singapore)
Co. Registration No. 198300506G

ANNOUNCEMENT

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF
THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

The Board of Directors of Ascent Bridge Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to questions raised by the Securities Investors Association (Singapore) and the Company’s response thereto.

Question 1 (i)

As mentioned in the chairman’s statement, the group completed the full divestment of its aluminium extrusion business on 29 June 2022 and subsequently transitioned into the business of selling and distributing food and beverages, with a particular focus on liquors and alcoholic beverages.

The group secured the exclusive global distributor rights (excluding Mainland China) to market and sell Moutai Bulao 125ml liquor product. The company has successfully negotiated agreements to cover key markets such as Singapore, Hong Kong, the United States, Vietnam, Cambodia, Indonesia, and the Netherlands and aims to penetrate up to 39 countries around the world.

The operations review which details the group’s activities, including a discussion of the different geographical markets, can be found on pages 8 and 9 of the annual report. Management has stated that it will aim to extend the group’s reach to 28 countries by the end of the financial year ending 31 March 2024.

(i) **Which specific markets is the group targeting to enter within the next 12-18 months?**

Company’s response

As mentioned in the operations review, the revenue achieved in FY2023 was mainly generated from markets in USA, Hong Kong, Singapore and other ASEAN countries such as Vietnam, Cambodia and Indonesia. Revenue from the sales agreements signed with distributors in Cambodia, Vietnam, Netherlands and Croatia (covering 26 Schengen countries) in FY2023 had not been recognised in the current financial year as the distributors are working on obtaining local regulatory approvals for importation and distribution as well as finalisation of marketing programmes between the parties to ensure a more effective product rollout. Within the next 12-18 months, the Group will work closely with

the distributors on finalization of marketing programme to ensure an effective product rollout in respective markets.

Questions 1 (ii) to 1(iv)

In the annual report, only the chief financial officer and the chief operating officer are listed as key members of the management team.

(ii) Can the company provide shareholders with a more comprehensive understanding of the depth of its management bench, as well as the experience and track record of key executives, particularly in crucial functions such as marketing, logistics, compliance, and supply chain management? This information is particularly relevant considering the group's global expansion.

Company's response

COO is in charge of global logistics and supply chain management and assisted by heads of department with relevant experience and qualifications.

CEO is in charge of business development, sales and marketing, and is assisted by a sales & marketing team with combined experience more than 50 years' experience in sales and marketing. In addition, we are attracted individuals from the relevant industry with solid sales and marketing background in multi-national liquor and beverage companies like Diageo, Moet Hennessy and Remy Cointreau.

(iii) Can the company provide the total number of employees in Singapore as well as in its key markets?

Company's response

As at 31 March 2023, the Group has 51 employees in total, 22 of them are based in Singapore, and 29 of them are based overseas, who have located in mainland China, Hong Kong and USA.

(iv) In light of the highly regulated nature of the import and marketing of alcohol, how does management navigate and comply with the varying regulatory requirements in each country where the company operates?

Company's response

The Group invests in resources and time to comply with local regulatory requirements prior to entering into the respective markets.

The Group currently operates in Singapore, Hong Kong and USA. The Group has obtained necessary liquor license in these markets. In USA, besides liquor license, the Group is required to complete brand and pricing

registration prior to product launch in various states. As mentioned in operations review, in FY2023, the Group has completed the brand and pricing registration in New York, California, New Jersey and Florida, and currently in progress for Georgia and Nevada.

The Company consults with local legal counsel and works with the local distributors to navigate the regulatory requirements relating to brand and pricing registration requirements and on-going compliance with the terms of the registration and any other relevant regulatory requirements in each country where it operates.

Questions 1(v) to 1(vii)

The group is leveraging three “core business channels” – the conventional distribution channels which touch points such as distributors, hotels, restaurants, night entertainment, F&B establishments, airlines and cruises, business associations as well as event sponsorships; the unconventional distribution channel via technology such as innovative smart liquor experience machines as well as apps; and lastly setting up global MTBL Cultural Centres to educate on the culture of baijiu drinking.

In the financial year, while revenue increased to almost \$4.0 million, selling and distribution costs increased to \$2.1 million while general and administrative expenses ballooned to \$9.2 million. Loss for the year was \$(8.8) million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial period from 1 January 2022 to 31 March 2023

	Note	1.1.2022 to 31.3.2023 \$'000	1.1.2021 to 31.12.2021 \$'000
Revenue	4	3,948	8
Cost of sales		(1,608)	(9)
Gross profit		2,340	(1)
Other operating income	5	163	17,549
Other gain	7	194	-
Selling and distribution costs		(2,133)	(367)
General and administrative expenses		(9,215)	(2,525)
Other loss	7	(238)	-
(Loss)/profit from operating activities		(8,889)	14,656
Finance cost	8	(51)	(10)
Finance income	9	137	54
(Loss)/profit before tax	6	(8,803)	14,700
Income tax benefit	11	46	-
(Loss)/profit from continuing operations for the period/ year		(8,757)	14,700
Discontinued operations			
Loss from discontinued operation, net of tax	18	-	(6,954)
		(8,757)	7,746

(Source: company annual report; emphasis added)

(v) **Can management provide a detailed breakdown of the general and administrative expenses?**

Company's response

Please refer to Note 6 to financial statements on page 60 for the detailed breakdown of general and administrative expenses.

(vi) **What guidance has the board given to management to ensure that it remains prudent during this early expansion phase? What is management's strategy to ensure that launch events and cultural centres translate into sustainable orders, sales and profits?**

Company's response

The Board reviews with management the annual business and marketing plans and budgets. Management updates the Board on the progress thereof quarterly where the Board provides its inputs and guides Management and reviews adjustments to the plans and budgets against actual performance.

(vii) **Has the board assessed the risks of pursuing all three distribution channels at the same time? Does the board believe that the unconventional distribution channel and cultural centers have the potential to scale up efficiently and generate satisfactory returns?**

Company's response

Despite the Chinese Baijiu often being touted as the most consumed liquor in the world, much consumption is driven domestically. In order to roll out the Moutai Bulao to greater geographical market by increasing brand awareness of Chinese Baijiu, the Group relies on the three core business channels to innovate its distribution channels with the aim to empower and drive consumer consumption. The unconventional distribution channel via technology is a unique methodology created by the Group to differentiate us from the competitors in branding and marketing. The culture centers/experience world (US) is part of that unique methodology to educate and capture an increasing market of baijiu patrons, thereby building a global MTBL network and a unique baijiu community.

The Board reviews with management the annual business and marketing plans and budgets, and provide guidance and inputs. These ensure that any business risk can be mitigated and the goal of satisfactory returns can be achieved eventually. At different points, the Board has requested reports from legal and other professional advisories where they consider it appropriate.

Question 2

In the operations review, management disclosed that the company incurred professional fees on the proposed acquisition of 80% equity interest in Octopus Distribution Pte Ltd and 80% equity interest in Nereus Cape Pte Ltd and 39.2% equity interest in Luen Heng F&B Sdn Bhd (collectively called "Octopus Group").

21. Prepaid and deposit

	Group		Company	
	31.3.2023	31.12.2021	31.3.2023	31.12.2021
	\$'000	\$'000	\$'000	\$'000
Current				
Refundable deposit for acquisition	5,000	600	5,000	600
Prepayment to supplier	486	2,095	-	-
Deposit paid to supplier	1,666	-	-	-
Other deposit	118	78	-	-
Others	-	51	27	8
	7,270	2,824	5,027	608
Non-current				
Rental Deposit	89	-	-	-
	7,359	2,824	5,027	608

(Source: company annual report)

- (i) **Can the board confirm that the proposed acquisition of the Octopus Group has been terminated?**

Company's response

All undefined capitalised terms in this response to Question 2 shall bear the meanings ascribed to them in the Company's announcement on 22 December 2022.

As announced on 22 December 2022, the Conditions Precedent for the Proposed Acquisition had not been fulfilled or waived as at the long-stop date of 21 December 2022 as provided under the SPAs, the SPAs have therefore lapsed and will cease to have further effect with respect to the Proposed Acquisition.

- (ii) **Are there any challenges or obstacles encountered in collecting the \$5 million refundable deposit from the vendors? If so, what options or actions are available to the group to address this situation?**

Company's response

The Octopus Group has been in periodic communications with our Company's lawyers with respect to the return of the S\$5million refundable deposit. Meanwhile, the Company has sought and received the advice from our lawyers and the process is ongoing. The Company has reserved its rights in the matter and will provide updates as and when applicable.

- (iii) **What safeguards did the board put in place prior to placing the deposit with the vendors? What were the reasons that the board approved a \$5 million deposit as part of the terms of the sale and purchase agreement?**

Company's response

The deposit is part of the negotiated terms of the agreement between the Company and the Vendors as a matter of commercial consideration. The Company took an indemnity from Dato Elaine who is the owner of the vendors to secure the S\$5mil refundable deposit.

- (iv) Can the board provide additional details on its approach to deal sourcing for acquisitions? Does the board engage reputable and professional investment bankers in this process? Furthermore, does the board or audit committee have plans to conduct a review of the risk management framework, specifically with regard to upfront fees or deposits associated with any proposed transactions?**

As part of our growth strategy, Management recommended an acquisition to the Board. Management will review and conduct assessment, before recommending the same to the Board for consideration. The Board assesses each opportunity in conjunction with third parties professional advisors.

Some of the professional parties engaged in the past were, Insight Law LLC , Stirling Coleman Capital Limited, Deloitte & Touche, Savills.

The Board has collectively reviewed the professional reports and considered their advices and will continuously engage independent professional firms to assist in the overall governance and risk management of the Company.

Question 3

The company was placed on the SGX Watch-list under the financial entry on 4 December 2019. SGX-ST had granted an extension of time to 1 December 2023 for the company to meet the requirements to exit the watch-list pursuant to Rule 1314 of the Listing Manual.

- (i) Does the loss of \$(8.8) million for the financial year ended 31 March 2023 impact the company's progress towards exiting the watch-list?**

Company's response

Yes. Notwithstanding, the Board and management continues to strive towards exiting the watch-list. We will update shareholders as and when there is significant development.

- (ii) Given the extension of the deadline to 1 December 2023, does this imply that the company will need to apply for another extension?**

Company's response

Yes.

- (iii) What guidance has the board provided to management to ensure a focused approach in meeting the conditions necessary for the company to exit the watch-list and safeguard the interests of shareholders, particularly minority shareholders?**

Company's response

The Board members constantly remind Management the imperatives and requirements in meeting watchlist exit and avails themselves to Management for guidance. The Management has been instructed to provide monthly updates to the Board and any other significant developments. The Board and the Company have always regarded working to exit the watchlist as one of its primary objectives.

By Order of the Board

Foo Soon Soo
Company Secretary

26 July 2023