



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: AEI Corporation Ltd.

Stock code: AWG

Meeting details:

Date: 28 April 2021

Time: 9.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the chairman's statement, the group is embarking on a diversification of its core business with the proposed acquisition of MTBL Global Pte. Ltd. ("MTBL"). MTBL owns the exclusive global distribution rights (excluding mainland China) to market and sell Moutai Bulao up to 31 December 2027. MTBL employs innovative marketing and leverages on technology for sustainability and growth.

Prior to this, the group was operating in electronics and precision engineering segment and the construction and infrastructure building segment.

The proposed acquisition of MTBL is subject to various conditions, including the approval of shareholders at an EGM to be held.

- (i) **Can the board help shareholders understand if the group has already diversified into the marketing and distribution of spirits prior to obtaining shareholders' approval?**
- (ii) **What is the level of due diligence carried out by management and by the board? How did the company choose to diversify into the beverage segment?** There appears to be no synergy to be extracted with its existing business.
- (iii) **In particular, what is the level of involvement and ownership by the independent directors in the due diligence and in the proposed acquisition?**

On 1 February 2021, the group announced the launch of VRAI, the first and only United States Department of Agriculture certified 5.5% organic premium hard seltzer. In the same announcement, it has revealed the target markets: VRAI in Singapore, China, Hong Kong and Vietnam; distribution rights for Moutai Bulao liquor in Hong Kong, Macau and Taiwan (the latter subjected to approval by shareholders).

- (iv) **What is the envisaged market size that the group is looking to capture? How much CAPEX is required for this venture?**

Q2. As shown in Note 31 (pages 106 and 107), revenue from electronics and precision engineering increased in FY2020 from \$7.95 million to \$9.37 million while revenue from construction and infrastructure decreased from \$1.11 million to \$486,000 in FY2020 (reproduced below).

The segments also reported lower segment losses in FY2020.

The group recognised revenue from two major customers amounting to \$2,977,000 (2019: \$2,170,000). These were from sales by the electronics and precision engineering segment.

31. SEGMENT INFORMATION (CONT'D)
(a) Business segments

	Electronics and precision engineering		Construction and infra-structure building		Beverage		Others		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue										
External customers	9,372	7,953	486	1,114	-	-	9	9	9,867	9,076
Total revenue	9,372	7,953	486	1,114	-	-	9	9	9,867	9,076
Results:										
Segment result	(1,554)	(2,384)	(192)	(303)	(112)	-	(116)	(246)	(1,974)	(2,933)
Depreciation	(921)	(953)	(56)	(156)	(21)	-	-	-	(998)	(1,109)
(Loss)/gain on disposal of property, plant and equipment, net	(63)	121	(4)	20	-	-	-	-	(67)	141
Finance income									156	565
Finance cost									(412)	(445)
Impairment loss on property, plant and equipment									(2,293)	(3)
Impairment loss on leasehold land									-	(1,093)
Share of results of associate									(93)	(492)
Loss before tax									(5,681)	(5,369)
Income tax benefit/(expense)									43	(486)
Loss net of tax									(5,638)	(5,855)

(Source: company annual report)

- (i) Can management provide shareholders with greater clarity on the underlying demand for the group's products and services?
- (ii) In particular, other than being qualified for the HDD program, what are the factors that led the major customers to increase its orders from the group in FY2020?
- (iii) After getting qualified by its customer(s) in the HDD programs, does the group have better visibility of customers' demand going forward?
- (iv) How is the group mitigating the volatility in aluminium prices?
- (v) Do the two above-mentioned segments fit into the long-term plans of the group?

Q3. In the corporate governance report, under the section on interested person transactions (IPTs), the company reported that it conducted a one-off business joint venture promotion event with MTBL Global amounting to \$1.263 million.

Interested Person Transactions

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis. During the year, the Company had entered into the following interested persons transactions.

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions conducted (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
MTBL Global Pte Ltd	Associated with a director	\$1,263,000 *	NIL

* one-off business joint venture promotional event

(Source: company annual report)

MTBL Global is associated with a director and is a target of the company's proposed acquisition.

- (i) **What was the event and what was the goal of the event? Who was the target audience and what was the attendance? What was the group's involvement?**
- (ii) **Can the board, especially the independent directors, help shareholders understand the scope and nature of the IPT?**
- (iii) **Was MTBL paid \$1.263 million by the company for a one-off joint venture promotional event? Please help shareholders understand how the amount of \$1.263 million was determined.**
- (iv) **Did the audit committee pre-approve the IPT with MTBL?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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