

SINO HUA-AN INTERNATIONAL BERHAD ("SINO" or "Company")

EXECUTION OF A TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN BISTROMALONES (PJ) SDN BHD ("BISTROMALONES") FOR A TOTAL PURCHASE CONSIDERATION OF RM8.0 MILLION ("PROPOSED ACQUISITION")

1. INTRODUCTION

The Company wishes to announce that it had, on 22 November 2018 entered into a binding term sheet with Chaswood Resources Sdn Bhd ("**CRSB**" or "**Vendor**") in relation to the Proposed Acquisition ("**Term Sheet**").

2. DETAILS OF THE PROPOSED ACQUISITION

The Term Sheet sets out the understanding of the Vendor and Sino for the Proposed Acquisition at a purchase consideration of RM8.0 million.

2.1 Information of Bistromalones

Bistromalones was incorporated in Malaysia on 19 August 2015 as a private limited company. As at 21 November 2018, being the latest practicable date prior to this announcement ("**LPD**"), Bistromalones has an issued share capital of RM100 comprising of 100 ordinary shares.

As at LPD, the directors and shareholders of Bistromalones and their respective shareholdings in Bistromalones are as follows:

Name	No. of Bistromalones Shares	% of Issued Share Capital
<u>Directors</u>		
Andrew Roach Reddy	-	-
Nicol Roach Reddy	-	-
<u>Shareholder</u>		
Chaswood Resources Sdn Bhd	100	100%

Bistromalones is principally engaged in operating a restaurant business and investment holding.

Bistromalones shall own the following entities which are in the restaurant and/or franchise business in Malaysia:

	Entity	Ownership	Brand
(i)	Teh Tarik Place Sdn Bhd	100%	Teh Tarik Place
(ii)	Bistroamericana (TC) Sdn Bhd	100%	TGI Friday's
(iii)	Bistroamericana (PJ) Sdn Bhd	100%	TGI Friday's
(iv)	Bistroamericana (BU) Sdn Bhd	100%	TGI Friday's
(v)	Bistroamericana (QB) Sdn Bhd	100%	TGI Friday's
(vi)	Bistroamericana (A) Sdn Bhd	100%	TGI Friday's
(vii)	Bistroamericana (Hartamas) Sdn Bhd	100%	TGI Friday's
(viii)	Bistroamericana (SP) Sdn Bhd	100%	TGI Friday's
(ix)	Bistroamericana (BB) Sdn Bhd	100%	TGI Friday's
(x)	Bistroamericana (JB) Sdn Bhd	20%	TGI Friday's

(collectively referred to as the “**Target Business**”).

2.2 Information of Vendor

CRSB was incorporated in Malaysia on 21 February 2002 as a private limited company. As at LPD, CRSB has an issued share capital of RM3,000,00 comprising of 3,000,000 ordinary shares.

As at LPD, the directors and shareholders of CRSB and their respective shareholdings in CRSB are as follows:

Name	No. of Bistromalones Shares	% of Issued Share Capital
<u>Directors</u>		
Ng Teck Wah	-	-
Andrew Roach Reddy	-	-
Jaleeludeen Bin Abu Baker	-	-
<u>Shareholder</u>		
Chaswood Resources Holdings Ltd	3,000,000	100%

CRSB is principally engaged in developing and operating a restaurant business and investment holding.

2.3 Salient Terms of the Term Sheet

2.3.1 Proposed Transaction

Sino shall acquire the entire equity interest in Bistromalones for RM8.0 million in cash from CRSB.

2.3.2 Structure

Sino and CRSB have mutually agreed that the purchase price of RM8.0 is payable on the date of completion of the Proposed Acquisition.

2.3.3 Key Assumptions

The purchase price of RM8.0 million takes into account the following assumptions:

- (i) No material adverse change in the prospects of the Target Business at completion.
- (ii) The Target Business has the benefit of all licenses and permits, and regulatory approvals necessary to operate the business.
- (iii) The Target Business’ contracts, including related party agreements, are made on an arm’s length basis and substantially the same terms and conditions would continue post-completion.
- (iv) At completion, the Target Business has maintained a normal level of working capital required to meet its operational requirement.

- (v) All information provided about the Target Business to date is materially accurate and reliable.

2.3.4 Conditions Precedent

Subject to the terms and conditions to be detailed in the relevant legal documentation for the Proposed Acquisition, the principal conditions precedent of the Proposed Acquisition would include but not be limited to as follows:

- satisfactory completion of legal, business, operational and financial due diligence by Sino;
- the consolidated structure of Bistromalones and the Target Business shall be in place prior to completion;
- approval by the board of directors and shareholders of Sino, if applicable;
- satisfactory completion and execution of relevant legal transaction documentation, in form and substance mutually acceptable to the parties ("**Definitive Agreements**");
- receipt of undertaking letter from the Vendor that the purchase consideration shall only be utilised for the settlement of the Vendor's and the Target Business' outstanding liabilities which are not in the normal course of business working capital cycle;
- obtaining all relevant consents, approvals, registrations and filings for the Proposed Acquisition, including the internal approvals of the Vendor, third parties, and all relevant regulatory and government bodies and Singapore Exchange Securities Trading Limited, where applicable;
- employment contracts to be entered with the key senior management to be identified by Sino;
- all representations and warranties of the Vendor set forth in the Definitive Agreements being true and correct; and
- other conditions precedent that are usual and customary for transactions of this type having been satisfied, which shall include, without limitation, no material adverse change having occurred since the date of execution of the Definitive Agreements.

2.3.7 Exclusivity Period

For a period of 120 days from the commencement of access with reasonable due diligence information in relation to the Proposed Acquisition (subject to any mutually agreed extension thereof), the Vendor agrees that during such period, they will not directly or indirectly enter or propose to enter into or continue any discussion or negotiations in respect of any transaction relating to an investment in Bistromalones whether by way of sale, transfer, assignment or otherwise of the shares of Bistromalones, with any person or entity other than Sino.

3. RATIONALE FOR THE TERM SHEET

The Proposed Acquisition would enable Sino to mitigate the risk of sole reliance on a single business and to expand its earning base. Hence, the Term Sheet is to set the parameters of the transaction and allow the parties to outline the terms and conditions as well as their understanding and intention in respect of the Proposed Acquisition.

4. EFFECTS OF THE TERM SHEET

The Term Sheet will not have any effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of Sino.

5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and major shareholders of Sino and/or person connected to them have any interest, direct or indirect, in the Term Sheet.

6. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia is approximately 5.1% based on the latest audited consolidated net asset of Sino for the financial year ended 31 December 2017.

7. APPROVAL REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of Sino and/or approval from any regulatory authority.

8. DIRECTORS' STATEMENT

The Board of Directors of Sino, having considered all aspect of the Term Sheet, is of the opinion that the execution of the Term Sheet in the best interests of Sino.

9. DOCUMENT AVAILABLE FOR INSPECTION

The Term Sheet is available for inspection at the registered office of Sino following the date of this announcement for a period of time three (3) months from Monday to Friday (except public holidays) during normal business hours.

A detailed announcement on the Proposed Acquisition would be made upon the execution of a definitive agreement between the parties.

This announcement is dated 22 November 2018.