

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

EXECUTION OF A TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN TOUCHPOINT INTERNATIONAL SDN BHD ("TPI") AND WAVETREE LLP ("WT") (TPI AND WT SHALL COLLECTIVELY BE KNOWN AS "TARGET") FOR A TOTAL PURCHASE CONSIDERATION OF RM20.0 MILLION ("PROPOSED ACQUISITION")

1. INTRODUCTION

The Company wishes to announce that it had, on 22 November 2018 entered into a binding term sheet with Ng Chee Seng, Amirrudin Bin Yahaya and Cindy Wong Ling Ping ("collectively referred to as the **"Vendors"**") in relation to the Proposed Acquisition (**"Term Sheet"**).

2. DETAILS OF THE PROPOSED ACQUISITION

The Term Sheet sets out the understanding of the Vendors and Sino for the Proposed Acquisition at a total purchase consideration of RM20.0 million.

2.1 Information of the Target

2.1.1 TPI

TPI was incorporated in Malaysia on 11 March 2014 as a private limited company. As at 21 November 2018, being the latest practicable date prior to this announcement (**"LPD"**), TPI has an issued share capital of RM100,000 comprising of 100,000 ordinary shares.

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

Name	No. of TPI Shares	% of Issued Share Capital
<u>Directors and Shareholders</u>		
Ng Chee Seng	51,000	51%
Amirrudin Bin Yahaya	49,000	49%

2.1.2 WT

WT was incorporated in Malaysia on 27 February 2013 as a limited liability of partnership.

As at LPD, the partners of WT are as follows:

Name of Partners	% of Partnership
Ng Chee Seng	50%
Cindy Wong Ling Ping	50%

2.1.2 Principal activities of the Target

TPI is an MSC Malaysia status technology company. The Target are in the business of cutting edge of end to end Internet of Things (**"IOT"**) and enterprise mobile development. The Target designs, manufactures, engineers and implements IOT and enterprise mobile solutions that result in cost savings

in manpower and logistics, and, enabling automation and predictive analytics leading to improved efficiencies and yields. In particular, the Target is a leading tracking solutions provider in IOT for the industrial and agricultural space. The Target also specialises in mobile, cloud and IOT technologies to provide enterprise software solutions to customers across various sectors, including government, education and telecommunication.

2.2 Information of Vendors

2.2.1 Ng Chee Seng

Ng Chee Seng, 41 years old, is a director and shareholder of TPI who currently owns 51% equity interest in TPI. He is also a 50% partner of WT.

2.2.2 Amirrudin Bin Yahaya

Amirrudin Bin Yahaya, 40 years old, is a director and shareholder of TPI who currently owns 49% equity interest in TPI.

2.2.3 Cindy Wong Ling Ping

Cindy Wong Ling Ping, 34 years old, is a 50% partner of WT.

2.3 Salient Terms of the Term Sheet

2.3.1 Proposed Acquisition

Sino shall acquire 51% in the Target for RM20.0 million in cash via:

- (i) Acquisition of 21% of new ordinary shares in the Target for RM8.0 million. Acquisition 21% of new ordinary shares in TPI and WT for RM4.0 million each ("**New Issuance**").
- (ii) Acquisition of 30% of the Vendors' ordinary shares in the Target for RM12.0 million from the Vendors. Acquisition of RM6.0 million each for 30% of the Vendors' ordinary shares in TPI and WT, respectively ("**Vendors Block**").

Upon Completion, the shareholding of the Target shall comprise as follows:

- (i) Vendors: 49%
- (ii) Sino: 51%.

2.3.2 Structure

Both parties have mutually agreed to a purchase price for the Proposed Acquisition of RM20.0 million to be payable in the following manner:

- (i) RM10.0 million on completion of the Proposed Acquisition. Payment is for New Issuance of RM8.0 million and Vendors Block of RM2.0 million.
- (ii) Payment of RM10.0 million for the remaining Vendors Block within 6 months from the completion of the Proposed Acquisition (subject to any mutually agreed extension thereof).

2.3.3 Key Assumptions

The purchase price takes into account the following assumptions:

- (i) No material adverse change in the prospects of the Target at closing.
- (ii) The Target has the benefit of all licenses and permits, and regulatory approvals necessary to operate the business.
- (iii) The Target's contracts, including related party agreements, are made on an arm's length basis and substantially the same terms and conditions would continue post-closing.
- (iv) At closing, the Target has maintained a normal level of working capital required to meet its business plan.
- (v) All information provided about the Target 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 the Purchaser.
- restructuring of the structure of WL that is currently a limited partnership (if necessary) to facilitate the Proposed Acquisition.
- approval by the board of directors and shareholders of Sino.
- satisfactory completion and execution of relevant legal transaction documentation, in form and substance mutually acceptable to the parties ("**Definitive Agreements**").
- obtaining all relevant consents, approvals, registrations and filings for the Proposed Transaction, including the internal approvals of the Vendors, third parties, and all relevant regulatory and government bodies.
- employment contracts to be entered with the key senior management to be identified by Sino.
- all representations and warranties of the Vendors set forth in the Definitive Agreements being true and correct.
- 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.

2.3.5 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 Vendors agree 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 the Target whether by way of sale, transfer, assignment or otherwise of the shares of the Target, with any person or entity other than Sino.

3. RATIONALE FOR THE PROPOSED ACQUISITION

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 would 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 Proposed Acquisition.

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 5.5% 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 Definitive Agreement between the parties.

This announcement is dated 22 November 2018.