

SINO HUA-AN INTERNATIONAL BERHAD (“Company” or “Hua-An” or “Purchaser”)

**(I) DEED OF REVOCATION; AND
(II) SHARE PURCHASE AGREEMENT**

FOR THE PROPOSED ACQUISITION OF 10,000 ORDINARY SHARES REPRESENTING 50% OF THE TOTAL ISSUED AND PAID UP SHARE CAPITAL IN HK AEROSPACE BEIDOU NEW ENERGY INDUSTRY TECHNOLOGY CO LTD (“HK AEROSPACE”)

(I) DEED OF REVOCATION

1. INTRODUCTION

Reference is made to Hua-An’s announcement on 7 August 2020 in relation to the Share Purchase Agreement dated 7 August 2020 entered into between the Company with Dr. Wan Muhamad Hasni Bin Wan Sulaiman, Nong You Hua, Satriya Bin Suetoh (collectively referred to as the “**Existing Vendors**”) for the proposed acquisition of 20,000 ordinary shares in HK Aerospace, representing the entire equity interest in HK Aerospace, for a total purchase consideration of USD25.0 million (“**SPA**”).

The Board of Directors of Hua-An now wishes to announce that the Company and the Existing Vendors had on 6 October 2020 entered into a Deed of Revocation to revoke and rescind the SPA subject to the terms and conditions as stipulated in the Deed of Revocation (“**Deed of Revocation**”) (“**Revocation**”).

2. RATIONALE FOR THE REVOCATION

The Revocation is deemed an expedient and necessary step to facilitate the modifications to the structure of the transaction following discussions/negotiations between the Company and the Existing Vendors pursuant to the preliminary findings of the due diligence exercise conducted by the Company.

The Revocation would enable the necessary changes to the key terms of the transaction to be appropriately incorporated in the New Share Purchase Agreement dated 6 October 2020 (“**New SPA**”)(superseding the previous SPA dated 7 August 2020) as further described in Part II below.

Amongst others, the New SPA is envisaged to provide equity incentive to the Existing Vendors to ensure that they remain committed to help resolve outstanding issues highlighted in the due diligence exercise as well as to follow through on several high impact contracts currently under negotiation with private entities, the provincial government as well as government related entities.

3. FINANCIAL EFFECTS OF THE DEED OF REVOCATIONS

The Deed of Revocation will not have any material effect on the net assets per share, gearing and earnings per share of Hua-An for the financial year ending 31 December 2020.

4. LEGAL IMPLICATION

No legal implication on Hua-An as the Deed of Revocation was entered into with mutual agreement between Hua-An and the Existing Vendors.

5. STATEMENT BY BOARD OF DIRECTORS

The Board of Directors of Hua-An, having considered all aspects of the Deed of Revocation, is of the opinion that the execution of the Revocation is in the best interest of the Company.

6. APPROVAL REQUIRED

The Revocation is not subject to the approval of the shareholders of Hua-An and/or approval from any regulatory authority.

7. DOCUMENT FOR INSPECTION

The copy of the Deed of Revocation is available for inspection at the registered office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan during normal business hours from Monday to Friday (except public holiday) for a period of three (3) months from the date of this Announcement.

(II) SHARE PURCHASE AGREEMENT

1. INTRODUCTION

The Board of Directors of Hua-An wishes to announce that subsequent to the execution of the Deed of Revocation, the Company had on 6 October 2020 entered into a new Share Purchase Agreement with Nong You Hua and Satriya Bin Suetoh ("**Vendors**") for the proposed acquisition of 10,000 ordinary shares in HK Aerospace ("**New SPA**"), representing 50% of the total issued and paid up share capital in HK Aerospace ("**Sale Shares**"), for a total purchase consideration of USD11.25 million ("**Purchase Consideration**") ("**Proposed Acquisition**").

(The Purchaser and the Vendors are hereinafter collectively referred to as the "**Parties**" and "**Party**" refers to any one (1) of them, as the context may require)

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by Hua-An of 10,000 ordinary shares in HK Aerospace, representing 50% of the total issued and paid up share capital in HK Aerospace from the Vendors for the Purchase Consideration in accordance with the terms and conditions of the New SPA.

Upon completion of the Proposed Acquisition, HK Aerospace will become a 50%-owned subsidiary of Hua-An.

Please refer to Appendix I of this Announcement for the salient terms of the New SPA.

2.1 Information of HK Aerospace

HK Aerospace is a private company limited by shares incorporated in Hong Kong under the law of Hong Kong on 12 May 2017. As at 5 October 2020, being the latest practicable date prior to this Announcement (“**LPD**”), HK Aerospace has an issued share capital of HKD20,000.00 comprising of 20,000 ordinary shares.

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

Name	No. of Ordinary Shares	% of Issued Share Capital
<u>Directors and Shareholders</u>		
Dr. Wan Muhamad Hasni Bin Wan Sulaiman	10,000	50%
Nong You Hua	6,000	30%
Satriya Bin Suetoh	4,000	20%
Total	20,000	100%

HK Aerospace is a holding company for the internet of things (“**IOT**”) and manufacturing operations in China and which holds the Intellectual Property and global marketing rights of the supercapacitors produced. It will also be the entity to undertake further Research and Development in international collaborations related to the technology.

HK Aerospace is a technology company in the development and production of ultra capacitors and IOT.

It has a complete patent field and patent strategy in ruthenium ultra capacitor technology.

HK Aerospace owns 28 patents from the US, Taiwan and China for the development of ultra capacitors, and hold the global marketing rights of the super-capacitors produced.

It has established a 50 chinese acre factory in Guangxi-Guangdong Special Industrial Park in Wuzhou and has operations in China in the IOT business and the production of ultra capacitors.

It is the first ruthenium ultra capacitor manufacturing plant in the world.

The proforma consolidated financials of HK Aerospace are as follows:

	FY2017	FY2018	FY2019	2020 (YTD @ 31.05.20)
	RM	RM	RM	RM
Turnover	-	327,080	166,050	834,542
PBT	-	(4,710,324)	(1,276,333)	177,361
PATMI	-	(2,402,265)	(650,930)	37,810

The subsidiary of HK Aerospace upon completion of the acquisition shall be as follows:-

No.	Name of Subsidiary	Date and Place of Incorporation	Date of commencement of business operations	Principal Activity	Shareholders/ Register Investors
1.	Guangxi Zhongcheng Huatai Industrial Co Ltd	29.10.2009, China	October 2009	Investment holding company for the purposes of holding the operations in China	1) HK Aerospace Beidou New Energy Industry Technology Co Ltd (51%) 2) Nong You Hua (9%) 3) Chen Jiuxiong (40%)
2.	Guangxi Aerospace Beidou IOT Technology Co Ltd	13.05.2014, Guangxi, China	May 2014	Involves in IOT and technical internet research	Guangxi Zhongcheng Huatai Industrial Co Ltd (100%)
3.	Guangxi Aerospace Beidou New Energy Industry Technology Co Ltd	14.08.2014, Guangxi, China	August 2014	It holds the manufacturing facility of the AB Group in the Guangdong-Guangxi Inter-provincial Pilot Cooperation special Zone	1) Guangxi Aerospace Beidou IOT Technology Co Ltd (41.8%) 2) ShenZhen Qianhaizhong Henghuaying Petrochemical Co Ltd (43.9%) 3) Xianning Qiandao Fengyue Investment Management Holding (14.3%)

(HK Aerospace and the abovementioned subsidiaries are collectively referred to as the "AB Group")

2.2 Particulars of the Sale Shares

The Vendors agreed to sell the Sale Shares and the Purchaser, relying on the representations, warranties and undertakings contained in the New SPA, agreed to purchase free from all Encumbrances (as defined in the New SPA) and together with all rights and advantages attaching thereto including but not limited to all bonuses rights, dividends and distributions declared, paid or made in respect thereof as at the completion of the sale and purchase transaction herein, at the Purchase Consideration on “willing seller willing buyer basis” as at Completion.

2.3 Information of Vendors

2.3.1 Nong You Hua

Nong You Hua, a citizen of the People’s Republic of China aged 66, is a director and shareholder of HK Aerospace who currently owns 30% of equity interest in HK Aerospace.

2.3.2 Satriya Bin Suetoh

Satriya Bin Suetoh, a Malaysian aged 55, is a director and shareholder of HK Aerospace who currently owns 20% of equity interest in HK Aerospace.

2.4 Mode of Settlement of the Purchase Consideration

As set out in Paragraph 1.1 of Appendix I of this Announcement (Purchase Consideration), the Purchase Consideration will be fully settled in cash. The mode of settlement of the Purchase Consideration was determined after taking into consideration the prevailing cash flow position, gearing and working capital requirements of Hua-An and its group of companies (“**Group**”).

2.5 Basis and Justification of Arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a “willing-buyer willing-seller” basis after taking into consideration, amongst others, the following:

- (i) the rationale and benefits of the Proposed Acquisition including the earnings potential and prospects of HK Aerospace.
- (ii) profit guarantee to be provided by the Vendors (as detailed in Paragraph 2 of Appendix I of this Announcement). The Board of Directors of Hua-An is of the opinion that the profit guarantee is realistic, taking into consideration the historical performance and future prospects of AB Group.
- (iii) the favourable outlook and prospect of the ultra capacitor technology for the IOT and energy storage sector as set out in Section 5 of this Announcement.

2.6 Source of Funding

The Purchase Consideration will be fully satisfied via cash which may be generated either from internally generated funds, external borrowings and/or some form of fund raising exercise, if deemed necessary.

2.7 Liabilities to be assumed

Save for the contingent liabilities as disclosed in Paragraph 4 of Appendix I of this Announcement (Conditions Subsequent), there are no other liabilities, contingent liabilities or guarantees to be assumed by Hua-An pursuant to the New SPA.

2.8 Additional Financial Commitment Required

No additional financial commitment by Hua-An is envisaged for HK Aerospace at this juncture.

3. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITION

The proposed acquisition of AB Group, which is one of the leading advanced technology group specializing in ultra capacitor technology for the IOT and energy storage sector, is expected to solidify Hua-An's digital transformation and digital ecosystem solutions. This is brought about by the fact that the AB Group has a complete patent field and patent strategy in ruthenium ultra capacitor technology, upon which it has established a 8.25 acre factory in China's Guangxi Hi-Tech Industrial Park. It is believed to be one of the first ruthenium ultra capacitor manufacturing facility in the world.

Additionally, the AB Group also has an IOT business that uses its ultra capacitors to develop its own proprietary systems and also supplies its ultra capacitors to a range of industries for energy storage. This acquisition will further strengthen Hua-An's market position as a digital transformation enabler as it will complete the final puzzle for Hua-An to transform itself into a technology company in the digital transformation space.

4. RISK FACTORS

The Proposed Acquisition is subject to terms and conditions of the New SPA. There is no assurance that the Proposed Acquisition will not be exposed to risks such as inability to fulfil the terms and conditions therein.

Following the completion of the New SPA, the Group will be subjected to challenges and inherent risks associated with the business and operations of HK Aerospace as follows:

(i) Competition

HK Aerospace is the only factory in the world producing rare metal Ruthenium based Super Capacitor. This technology was previously used only in military and space missions because Ruthenium is an expensive metal and production was costly. HK Aerospace has been able to use its patented technology processes to bring down the costs

to a commercially viable venture. Naturally the competitors will try to imitate the technology in due time.

The mitigating action that has to be taken is to quickly enter the market aggressively while it is still the only Ruthenium based Super Capacitor producer. It is estimated that HK Aerospace has at least 5 years lead time over its competitors. HK Aerospace also continues to invest in R&D to keep itself ahead of the competition at all times. The demand for quality Super Capacitors will always be there so long as humans need to use batteries for reliable energy storage.

(ii) Political, economic and regulatory risks

Like all other business entities, changes in political, economic and regulatory conditions in China, could materially and adversely affect the financial and business prospects of HK Aerospace. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation of nullification of existing sales orders and contracts, etc. Despite these uncertainties, albeit remote, HK Aerospace continues to focus on its core business and conducts its businesses in a professional manner and adhering to all the relevant rules, regulations and policies governing the industry. While HK Aerospace will seek to limit the impact of such risk to its business, there is no assurance that any change in the above factors will not have a material adverse effect on the business and operations of HK Aerospace.

(iii) Business risks

HK Aerospace's group business activities are subject to certain risks inherent to the technology industry. These may include changes in general economic conditions and political conditions, inflation, taxation, change in business conditions such as technology obsolescence, deterioration in prevailing market conditions, labour and material supply shortages, increase in cost of labour.

Notwithstanding the above, HK Aerospace seeks to minimise its business risks through careful selection of contracts and contractual terms and adopting prudent credit policy. HK Aerospace also seeks to keep itself abreast with the development of the relevant technology and remained abreast with what its competitors are doing.

(iv) Dependence on key personnel

The success HK Aerospace is dependent to a significant extent upon the abilities and continued efforts of its current management team and expertise. The loss of any key member of its management team and expertise may have an impact on its business operations. The future continued success of HK Aerospace will also depend upon its ability to attract and retain skilled personnel.

In order to mitigate these risks, initiatives have been put in place to tie-in the key management staff and expertise over a period of time, as well as efforts will be made to continuously attract skilled and experienced staff through attractive remuneration and incentives and good human resource management for continual future performance.

5. PROSPECTS OF AB GROUP

The Proposed Acquisition is both timely and well placed for Hua-An, as the digital technology business is envisaged to be the Group's focus area of growth moving forward.

According to the Global and China Super-Capacitor Industry Report 2019-2025, with a higher penetration in transportation and consumer electronics, the global market size of Super-Capacitors has mushroomed, especially Asia-Pacific Region sees the highest growth rate. The global Super-Capacitor market valued USD1.01 billion in 2018, and it is expected to garner USD4.09 billion by 2025, with a CAGR of 22.1%. In the upcoming five years, Super-Capacitors will be largely utilized in transportation and consumer electronics. From a geographical perspective, Asia-Pacific consumed the most Super-Capacitors worldwide in 2018, and the consumption herein will increase at the highest rate in the next few years. Super-Capacitors were initially used by the US military in the field of electronic equipment due to instantaneous high power, fast charging and discharging. Later, it finds wider application in transportation, industrial equipment, electric power, and new energy. 38% of the Super-Capacitor market size is forecast to be triggered by transportation, about 30% by the industrial sector, and 21% by the new energy sector.

Insofar as energy storage is concerned, according to Global Energy Storage Market 2019 by Lux Research, the total energy storage market is expected to grow to \$546 billion in annual revenue by 2035. It also indicates that the commercialization of five new technologies, namely that of (i) battery recycling, (ii) electric aviation, (iii) flow batteries, (iv) thin-film batteries, and (v) solid-state battery improvements, could drive growth. Lux Research concludes that revenue and deployment growth for the energy storage market will vary drastically over the next three years. Plug-in light-duty vehicles will likely remain the largest market with a predicted \$24B increase in revenue by the end of 2022. Next, medium and heavy-duty vehicles are estimated to grow from \$600M a year in 2019 to \$3.6B per year in 2022. Residential storage follows with a projected CAGR of 76% and \$8B revenue increase over the next three years. Personal mobility will also be affected with a CAGR of 49% and \$4.6B revenue increase.

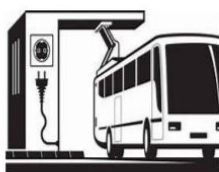
Through 2035, it was identified that the major driver for growth and demand of energy storage is mobility applications, as personal mobility devices are expected to increase to \$43.7B from their current \$2B in revenue. Stationary storage is also expected to grow to \$111.8B in revenue by 2035, marking a significant increase from its \$9.1B revenue in 2019.

The energy storage industry is poised for a massive increase in annual revenue and deployment capacity as key innovative technologies, such as solid-state batteries and flow batteries, reach commercialization. Electric mobility applications, primarily light-duty passenger vehicles, is expected to be the principal long-term driver of energy storage annual revenue and demand, with a total market share of 74% by annual revenue and 91% by annual deployed GWh by the year 2035, according to Lux Research.

Principal markets for the products and services

A rapidly emerging and increasingly applied technology, Super-Capacitors are capable of storing and discharging energy very quickly and effectively. Due to their many benefits, Super-Capacitors are currently being utilized in thousands of different applications, and considered in an equally diverse range of future applications. Super-capacitors complement a primary energy source which cannot repeatedly provide quick bursts of power, such as an internal combustion engine, fuel cell or battery. The future horizon looks brilliant for Super-capacitors, which already rank as a powerful alternative energy resource. Given this, HK Aerospace principal targeted market is in China's renewable energy space such as transportation, telecommunication, power generation, heavy machineries and others.

MARKETS & APPLICATIONS OF SUPER-CAPACITOR TECHNOLOGY



Harvest power from [regenerative braking systems](#) and release power to help hybrid buses accelerate.



Used in [blade pitch systems](#) and to help increase reliability and stability to the energy grid.



Reliably crank semi-trucks in cold weather or when batteries are drained from repetitive starting or in-cab electric loads.



Capture energy and provide [burst power](#) to assist in lifting operations.



Capture energy from [regenerative braking systems](#) and release power to assist in train acceleration, and used for vehicle power where overhead wiring systems are not available.



Provide [energy storage](#) for firming the output of renewable installations and increasing grid stability.



Provide cranking power and [voltage stabilization in start/stop systems](#), backup and [peak power](#) for key automotive applications – and serve as [energy storage](#) in regenerative braking systems.



Provide energy to data center between power failures and initiation of backup power systems, such as diesel generators or fuel cells.

HK Aerospace is currently selling only in China, and export activities are hampered due to Covid-19 pandemic. HK Aerospace has already been approached by foreign clients and is looking to exporting overseas in the near future.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share Capital and Substantial Shareholders' Shareholding

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholding in Hua-An as the Proposed Acquisition does not involve any issuance of new shares in Hua-An.

6.2 Earnings and Earnings per Share ("EPS")

The Proposed Acquisition is expected to be earnings accretive and will contribute positively to the future earnings and EPS of Hua-An.

6.3 Net Assets ("NA") and NA per share of Hua-An and Gearing

Based on the audited financial statements of Hua-An as at 31 December 2019, the pro-forma effects of the Proposed Acquisition on the consolidated NA per share and net gearing ratio are as follows:

	Audited as at 31 December 2019 RM'000	After Proposed Acquisition RM'000
Share Capital	1,115,045	1,115,045
Reserves	(568,468)	(568,468)
Accumulated Loss	(354,767)	(355,067)
Shareholders' Equity / NA	191,810	191,510
Non-Controlling Interest	-	-
Total Equity	191,810	191,510
No. of Ordinary Shares	1,122,307,817	1,122,307,817
NA Per Share	0.17	0.17
Gearing (times)	0.01	0.01

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

None of the Directors and major shareholders of Hua-An and/or person connected to them have any interest, direct or indirect, in the Proposed Acquisition.

8. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition is expected to complete by end of the year, or at such other extended dates as may be mutually agreed between the Parties.

9. 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 Securities Berhad is approximately 24.4% based on the latest audited consolidated net asset of Hua-An for the financial year ended 31 December 2019.

10. APPROVAL REQUIRED

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

11. DIRECTORS' STATEMENT

The Board of Directors of Hua-An, having considered all aspect of the Proposed Acquisition, is of the opinion that the execution of the Proposed Acquisition is in the best interests of Hua-An.

12. DOCUMENT AVAILABLE FOR INSPECTION

The new SPA is available for inspection at the registered office of Hua-An at Level 7, Menara Milenum, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan during normal business hours from Monday to Friday (except public holiday) for a period of three (3) months from the date of this Announcement.

This announcement is dated 6 October 2020.

SALIENT TERMS OF THE NEW SPA

1. Consideration

1.1 Purchase Consideration

The consideration for the purchase of the Sale Shares shall be USD11.25 million which shall be apportioned among the Vendors and paid to the Vendors in due proportion in accordance with Paragraph 1.2 of Appendix I.

1.2 Mode of Payment

Subject to the fulfilment of the matters stated in Clause 7.2 and Schedule 3 (Completion Obligations) of the New SPA, the sum of USD11.25 million shall be paid in the following manner:

- a) USD1,125,000.00 being 10% of the Purchase Consideration within 3 months from the Completion;
- b) USD2,812,500.00 being 25% of the Purchase Consideration within 6 months from the Completion;
- c) USD2,812,500.00 being 25% of the Purchase Consideration within 9 months from the Completion;
- d) USD2,812,500.00 being 25% of the Purchase Consideration within 12 months from the Completion;
- e) USD1,687,500.00 being 15% of the Purchase Consideration within 15 months from the Completion.

1.3 Method of Payment

The payment of the Purchase Consideration shall be effected by crediting for same day value the account specified in the Payment Account Details of the respective Vendors by way of telegraphic transfer. Payment of such sum shall be a good discharge by the Purchaser of its obligation to make such payment and the Purchaser shall not be obliged to see to the application of the consideration as between the relevant Vendors.

1.4 Reduction of Consideration

If any payment is to be made by the Vendors to the Purchaser in respect of any claim against the Vendors arising from any breach of the New SPA (including but not limited to the breach of Clause 5 (Actions pending completion of the New SPA) (or any agreement entered into pursuant to the New SPA) or pursuant to any indemnity hereunder ("**Payment**")), the Payment may be made by way of adjustment of the Purchase Consideration and the Purchase Consideration shall be deemed to have been reduced by the amount of such Payment. For the avoidance of doubt, the method of the Payment in Paragraph 1.2 and Paragraph 1.3 of Appendix I of this Announcement would be on the Purchaser's sole discretion and may

not necessarily be made by way of adjustment of the Purchase Consideration.

2. Profit Guarantee by the Vendors

2.1 It is acknowledged by the Parties herein that the Vendors shall remain responsible for the management and the business affairs of HK Aerospace notwithstanding the Completion of the New SPA.

2.2 In consideration of the Purchaser entering into the New SPA, the Vendors hereby jointly and severally guarantee that a minimum profit after taxation of HK Aerospace for the first financial year shall be USD2.5 million ("**the Guaranteed Profit**"). The target date to achieve the Guaranteed Profit shall be 12 months upon Completion.

2.3 The Vendors agree that the Purchase Consideration shall be reduced in event of a shortfall of in the guaranteed profit based on the following formula.

$$\left[1 - \frac{\text{ActualProfit}}{\text{GuaranteedProfit}}\right] \times \text{Purchase Consideration to Vendors}$$

For example, in the event that HK Aerospace only achieves a profit of USD2.0 million for the first financial year, then the reduction in Purchase Consideration shall be:

$$\left[1 - \frac{\text{USD2million}}{\text{USD2.5million}}\right] \times \text{USD11.25million} = \text{USD2.25million}$$

2.4 Notwithstanding anything in the New SPA, the final installment under Paragraph 1.2 (e) of Appendix I of this Announcement shall be paid to the Purchaser's Solicitors as stakeholders pending the determination of the reduction of the Purchase Consideration in accordance with Paragraph 2.3 of Appendix I of this Announcement.

2.5 Any shortfall of the Guaranteed Profit shall be calculated based on the audited accounts of HK Aerospace which shall be carried out on an interim basis at the expiry of the Profit Guarantee (taking into account the audited accounts for 2020) and such reductions in the Purchase Consideration shall be reflected in the final payment installment under Paragraph 1.2 (e) of Appendix I of this Announcement, proportionately based on the shortfall of HK Aerospace, and such reductions in Purchase Consideration shall be determined by the Purchaser upon the expiry of the Profit Guarantee. Upon receipt of written notification of the amount of the reduction in the Purchase Consideration from the Purchaser, the Purchaser's Solicitors shall release the balance Purchase Consideration after deductions, to the Vendors.

- 2.6** The Parties hereby agree and acknowledge that in order for the Vendors to guarantee the Guaranteed Profit, any decisions to be made by HK Aerospace which involve financial matters and/or any other matters which affect and/or may affect the Guaranteed Profit shall be made solely by the senior management.

3. Conditions Precedent

The Completion of the New SPA to sell and purchase the Sale Shares contained in Clause 2.1 (Sale of Sale Shares) of the New SPA is conditional upon the satisfaction by Vendors or a waiver granted by the Purchaser, which shall be at Purchaser's sole discretion, of the following conditions:

- (a) the Purchaser's satisfaction of the results of such legal, commercial and financial due diligence investigations conducted by the Purchaser on HK Aerospace, over the business, affairs, operations, assets and liabilities, prospects and records of HK Aerospace;
- (b) the passing by way of directors' circular resolution of the Purchaser of a resolution to approve the acquisition of the Sale Shares in the agreed terms, or such other consent as is required by the Purchaser's board of directors and the Purchaser shall deliver the certified true copy of the said approval to the Vendors;
- (c) the Vendors obtaining the approval of the board of directors of HK Aerospace for the transfer of the Sale Shares to the Purchaser free from Encumbrances (as defined in the new SPA), and the Vendors shall deliver the certified copy of the said approval to the Purchaser;
- (d) the licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the proposed acquisition of the Sale Shares by the Purchaser having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to the Purchaser and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect, if applicable;
- (e) all necessary approvals under applicable competition laws having been obtained from the competition authorities in the relevant jurisdictions of HK Aerospace without the attachment of any terms, conditions, or remedies (whether in the form of commitments or directions), if applicable;
- (f) where the terms of any material contract contain any restrictions or prohibition on the change in control of the shareholdings and/or the boards of directors of HK Aerospace or include any right to terminate exercisable prior to or as a result of any matter contemplated by the New SPA, written confirmation in a form and on terms (if any) reasonably satisfactory to the Purchaser by the counterparties, of the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the New SPA or of any such right to terminate, if applicable;

APPENDIX I

- (g) the issuance of a waiver letter, substantially in the form attached to Schedule 4 of the New SPA by the Vendors to HK Aerospace waiving all their rights of action of any kind, arising in any capacity or in any jurisdiction, against HK Aerospace, AB Group or any of their respective officers or employees, including without limitation to the Shareholders' Loan ("**Waiver Letter**");
- (h) The New SPA and any other legal document where necessary, have been duly executed, witnessed, stamped, becoming unconditional.
- (i) The Completion of the acquisition of 80% of the registered capital of the Guangxi Zhongcheng Huatai Industrial Co Ltd ("**GZHI**") by HK Aerospace.
- (j) The Completion of the acquisition of 100% of the registered capital of Guangxi Aerospace Beidou IOT Technology Ltd ("**GAIOT**") by GZHI.
- (k) The Completion of the acquisition of 41.8% of the registered capital of Guangxi Aerospace Beidou New Energy Industry Technology Co Ltd ("**GAB**") by the GAIOT; and
- (l) The confirmation and proof that HK Aerospace is the legal and beneficial owner of all the intellectual property stated in Schedule 7 of the New SPA.

4. Condition Subsequent

As soon as reasonably practicable after the Completion Date, or at such times that the Parties may agree in writing, the Vendors shall complete the following obligations unless the Purchaser at its sole discretion waives any or all of the obligations below:-

- (a) The Vendors shall ensure that GAIOT shall procure an extension of time of not less than 3 years (from the Completion of the New SPA) for the repayment of all existing loans/financial obligations in particular to *Guangxi Yuegui Lihe Bangyi Venture Capital* and *Guangxi Yuegui Cooperative Special Pilot Zone Lihe Bangyi New Energy Investment Fund Partnership*, and to procure the release of all collateral and security attached to such loans/ financial obligations.
- (b) The Vendors shall procure the transfer of the ownership of all of the 28 patents to the HK Aerospace (and/or the entities within the AB Group) within 3 months from Completion.
- (c) The Vendors shall ensure that the lease of the land with *Guangxi Wuzhou Yuegui Cooperative Special Pilot Zone Investment*, is renewed or extended for a period not less than 3 years from the Completion of the New SPA.
- (d) The Vendors shall ensure that all on-going litigation, including but not limited to the legal suits by Guangxi Construction Engineering Group No.5 Construction Engineering Co. and Guangdong Wuchuan Construction and Installation Engineering Co. will be resolved and accordingly procure the release from the freezing order on the bank accounts and patents of GAB.

- (e) The Vendors shall procure the consent from all other shareholders, minority or otherwise, of the respective entities within the AB Group, that the Purchaser shall have full board control in all of the said entities.

5. Completion

5.1 Date and place

Subject to Clause 5 (Conditions) of the New SPA, Completion shall take place at the offices of the Purchaser's Solicitors on the Completion Date or at such other place or on such other date as may be agreed between the Purchaser and the Vendors' Representatives on behalf of the Vendors.

5.2 Obligations on Completion

Upon Completion, the Vendors shall immediately procure that all obligations specified in Schedule 3 (Completion Obligations) of the New SPA to be fulfilled and delivered to the Purchaser.

5.3 Rights to Sale Shares after Completion

The Vendors covenant and undertake to the Purchaser that, if and for so long as they remain the registered holders of any of the Sale Shares after Completion, they shall:

- (a) hold such Sale Shares together with all dividends and any other distributions of profits, surplus or other assets in respect of such Sale Shares and all rights arising out of or in connection with them, in trust for the Purchaser;
- (b) at all times after Completion, deal with and dispose of such Sale Shares, dividends, distributions, assets and rights as the Purchaser shall reasonably direct;
- (c) exercise all voting rights attached to such Sale Shares in such manner as the Purchaser shall reasonably direct; and
- (d) if required and requested in writing by the Purchaser, execute all instruments of proxy or other documents as may be necessary to enable the Purchaser to attend and vote at any meeting of HK Aerospace.