

GENERAL ANNOUNCEMENT
QUERY REFERENCE NO: IQL-08102020-00004

SINO HUA-AN INTERNATIONAL BERHAD ("HUAAN" or "COMPANY")

(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")

(The definitions used in this announcement shall have the same meanings as that used in the announcement dated 6 October 2020 unless stated otherwise.)

We refer to the announcement made on 6 October 2020 and the letter dated 8 October 2020 from Bursa Malaysia Securities Berhad ("**Bursa Securities**") requesting for additional information pertaining to the Agreement.

The Board of HUAAN wishes to announce the following additional information as requested by Bursa Securities:-

1) To elaborate/clarify further on the reasons for the revocation and rescind of the SPA dated 7 August 2020 and the reasons for only acquiring 50% under the new SPA.

Pursuant to the preliminary findings of the due diligence exercise conducted by the Company, the revocation and rescind of the SPA dated 7 August 2020 is to allow the necessary changes to the key terms of the transaction in order to protect the interest of HUAAN, given the findings of the due diligence.

The acquisition of only 50% under the new SPA is ensure that the remaining vendor still have meaningful interest via the remaining 50% equity as incentive to 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.

GENERAL ANNOUNCEMENT
QUERY REFERENCE NO: IQL-08102020-00004

2) A summary of the “changes to the key terms of the transaction”.

Key Terms	SPA dated 7 August 2020	SPA dated 6 October 2020
Equity interest acquired	Acquisition of 20,000 ordinary shares representing the entire equity interest in HK Aerospace	Acquisition of 10,000 ordinary shares representing the 50% of the equity interest in HK Aerospace
Purchase consideration	USD25.0 million	USD11.25 million
Payment	<ul style="list-style-type: none"> a) USD2.5 million being 10% of the Purchase Consideration within 3 months from the Completion; b) USD6.25 million being 25% of the Purchase Consideration within 6 months from the Completion; c) USD6.25 million being 25% of the Purchase Consideration within 9 months from the Completion; d) USD6.25 million being 25% of the Purchase Consideration within 12 months from the Completion; e) USD3.75 million being 15% of the Purchase Consideration within 15 months from the Completion. 	<ul style="list-style-type: none"> 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.

GENERAL ANNOUNCEMENT
QUERY REFERENCE NO: IQL-08102020-00004

<p>Profit guarantee</p>	<p>USD3.0 million</p>	<p>USD2.5 million</p>
<p>Further Conditions</p>	<p>Nil</p>	<p>(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 <i>Guangxi Yuegui Lihe Bangyi Venture Capital</i> and <i>Guangxi Yuegui Cooperative Special Pilot Zone Lihe Bangyi New Energy Investment Fund Partnership</i>, and to procure the release of all collateral and security attached to such loans/ financial obligations.</p> <p>(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.</p> <p>(c) The Vendors shall ensure that the lease of the land with <i>Guangxi Wuzhou Yuegui Cooperative Special Pilot Zone Investment</i>, is renewed or extended for a period not less than 3 years from the Completion of the New SPA.</p>

GENERAL ANNOUNCEMENT

QUERY REFERENCE NO: IQL-08102020-00004

		<p>(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.</p> <p>(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.</p>
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3) To elaborate on “the New SPA is envisaged to provide equity incentive to the Existing Vendors”.

By virtue of the fact that the remaining vendor still retains 50% equity interest in HK Aerospace (post acquisition) serves to ensure that the said remaining vendor is continuously incentivised to 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. This will ensure HUAAN’s interest in continually safeguarded, post-acquisition.

4) Whether HK Aerospace has Board representative in Guangxi Aerospace Beidou New Energy Industry Technology Co Ltd.

HK Aerospace has Board representative in Guangxi Aerospace Beidou New Energy Industry Technology Co Ltd which is being reinforced under the conditions subsequent in the new SPA.

GENERAL ANNOUNCEMENT

QUERY REFERENCE NO: IQL-08102020-00004

5) The basis of arriving at the total purchase consideration of USD11.25 million.

The total purchase consideration of USD11.25 million is arrived at on a willing-buyer willing-seller basis and is calculated based on 50% of the full equity value of USD22.5 million, after adjustment to the reduction of profit guarantee from USD3 million to USD2.5 million against the original acquisition price of USD25 million.

6) The justifications for the total purchase consideration of USD11.25 million.

The total purchase consideration of USD11.25 million is arrived at after taking into consideration of, amongst others, the following:

- (i) reduction in the equity interest to be acquired (as mentioned above);
- (ii) profit guarantee of USD2.5 million provided by the vendors;
- (iii) earnings potential of HK Aerospace by virtue of its existing and future contracts and order books; and
- (iv) prospects of HK Aerospace business by virtue of the favourable outlook and prospect of the ultra capacitor technology for the IOT and energy storage industry.

7) To elaborate/clarify on the contingent liabilities to be assumed by HUAAN pursuant to the New SPA.

The contingent liabilities relate primarily to the litigation initiated by Guangxi Construction Engineering Group No.5 Construction Engineering Co. and Guangdong Wuchuan Construction and Installation Engineering Co. against Guangxi Aerospace Beidou New Energy Industry Technology Co Ltd ("GAB"), an entity in which HK Aerospace owns 41.8%. Based on the findings of the due diligence exercise, the said litigations are still on-going and no resolution is envisaged yet at this juncture. Notwithstanding that, the said contingent liabilities are contained within GAB itself and would be resolved therein. HUAAN is not expected to be directly liable for such liabilities, should it crystallise. The only reason why it was disclosed in the Announcement dated 6 October 2020 is by virtue of GAB being part of the HK Aerospace group of companies.

8) The effect on earnings per share for the financial year ending 31 December 2021.

The earnings per share is expected to be positively accretive for the financial year ending 31 December 2021.

GENERAL ANNOUNCEMENT
QUERY REFERENCE NO: IQL-08102020-00004

9) Whether the proposed acquisition of HK Aerospace will trigger diversification in operations pursuant to Paragraph 10.13 of the Main Market Listing Requirements.

The proposed acquisition of HK Aerospace does not trigger diversification in operations pursuant to Paragraph 10.13 of the Main Market Listing Requirements at this juncture.

This announcement is dated 9 October 2020.