

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

### SHARE PURCHASE AGREEMENT WITH DR. NIK NAZLI BINTI NIK AHMAD, JIM IRENE, DR. ROZHAN BIN OTHMAN, ZURIAH BINTI ABU BAKAR AND AHMAD FAKHRI BIN HAMZAH FOR THE ACQUISITION OF 700,000 ORDINARY SHARES IN HUMANCAPIENT CONSULTING SDN BHD

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#### 1. INTRODUCTION

The Board of Directors of Hua-An wishes to announce that Hua-An had on 23 April 2020 entered into a Share Purchase Agreement (“**SPA**”) with Dr. Nik Nazli Binti Nik Ahmad, Jim Irene, Dr. Rozhan Bin Othman, Zuriah Binti Abu Bakar and Ahmad Fakhri Bin Hamzah (collectively referred to as the “**Vendors**” and “**Vendor**” refers to any one (1) of them) for the proposed acquisition of 700,000 ordinary shares in HumanCapient Consulting Sdn Bhd (“**HCSB**”) (“**Sale Shares**”), representing 70% of the total issued share capital in HCSB, for a total purchase consideration of RM14.5 million (“**Purchase Consideration**”) (“**Proposed Acquisition**”).

(The Vendor and the Purchaser are 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 the Sale Shares, representing 70% of the total issued share capital of HCSB with the Purchase Consideration upon the terms and conditions of the SPA.

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

##### 2.1 Information of the HCSB

HCSB was incorporated in Malaysia on 25 February 1997 as a private limited company. As at 22 April 2020, being the latest practicable date prior to this announcement (“**LPD**”), HCSB has an issued share capital of RM1,000,000.00 comprising of 1,000,000 ordinary shares.

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

Name	No. of Ordinary Shares	% of Issued Share Capital
<b>Directors and Shareholders</b>		
Dr. Nik Nazli Binti Nik Ahmad	400,000	40%
Jim Irene	200,000	20%
Zuriah Binti Abu Bakar	150,000	15%
<b>Shareholders</b>		
Dr. Rozhan Bin Othman	200,000	20%
Ahmad Fakhri Bin Hamzah	50,000	5%

HCSB is principally engaged in the provision of services in the field of design, planning and implementation of Change Management programs specializing in system integration implementation projects.

## 2.2 Particulars of the Sale Shares

The particulars of the Sale Shares, which the Vendors have agreed to sell and the Purchaser has agreed to purchase free from all Encumbrances (as defined in the SPA) at the Purchase Consideration, are set out in the table below:

<b>Vendors</b>	<b>No. of Sale Shares</b>	<b>Percentage of HCSB Shares held</b>
Dr. Nik Nazli Binti Nik Ahmad	280,000	28%
Jim Irene	140,000	14%
Dr. Rozhan Bin Othman	140,000	14%
Zuriah Binti Abu Bakar	105,000	10.5%
Ahmad Fakhri Bin Hamzah	35,000	3.5%
<b>Total</b>	<b>700,000</b>	<b>70%</b>

## 2.3 Information of Vendors

### 2.3.1 Dr. Nik Nazli Binti Nik Ahmad

Dr. Nik Nazli Binti Nik Ahmad, 56 years old, is a director and shareholder of HCSB who currently owns 40% of equity interest in HCSB.

### 2.3.2 Jim Irene

Jim Irene, 48 years old, is a director and shareholder of HCSB who currently owns 20% of equity interest in HCSB.

### 2.3.3 Zuriah Binti Abu Bakar

Zuriah Binti Abu Bakar, 56 years old, is a director and shareholder of HCSB who currently owns 15% of equity interest in HCSB.

### 2.3.4 Dr. Rozhan Bin Othman

Dr. Rozhan Bin Othman, 57 years old, is a shareholder of HCSB who currently owns 20% of equity interest in HCSB.

### 2.3.5 Ahmad Fakhri Bin Hamzah

Ahmad Fakhri Bin Hamzah, 58 years old, is a shareholder of HCSB who currently owns 5% of equity interest in HCSB.

## 2.4 Mode of Settlement of 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 for the Purchase Consideration**

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration of the following:

- (i) the rationale and benefits of the Proposed Acquisition including the earnings potential and prospects of HCSB.
- (ii) profit guarantee to be provided by the Vendors (as detailed in Paragraph 2 of Appendix I of this Announcement).
- (iii) the favourable outlook and prospect of the Organisational Digitization Transformation 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**

There are no other liabilities, contingent liabilities or guarantees to be assumed by Hua-An pursuant to the SPA, except those incurred in the ordinary course of business.

## **2.8 Additional Financial Commitment Required**

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

## **3. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITION**

HCSB is certified by the Ministry of Finance Malaysia to supply services and products, with a prominent clientele comprising Government-linked companies, multinational corporations, as well as Government departments. It is able to deploy change management, manpower improvement and strategy implementation driven by digital solutions to businesses and organisations. Demand for this expertise is expected to be higher than ever after the Covid-19 situation where organisations will be looking to be more efficient and prepared for IR4.0.

The Proposed Acquisition will further strengthen Hua An's position as Malaysia's leading digital enabler following the completion of its acquisition of the Touchpoint Group and allow the Group to develop new streams of income to supplement its traditional manufacture and sale of metallurgical coke. The businesses of HCSB are complementary to the digital enabling platform solutions of the TouchPoint Group, which was acquired in December 2019.

The Proposed Acquisition of HCSB will enable Hua-An to benefit from the established track record and knowhow in the field of Business intelligence and Data Analytics and will further differentiate Hua-An as one of the leading digital enablers in the country.

#### **4. RISK FACTORS**

The Proposed Acquisition is subject to terms and conditions of the 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 SPA, the Group will be subjected to challenges and inherent risks associated with the business and operations of HCSB.

#### **5. PROSPECT OF HCSB**

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. The Covid-19 outbreak has caused many businesses to realise that digitalization of the business processes and operations has become a necessity and crucial. As the result thereof, it is envisaged that the acceptance and adoption of technology would be rapid and far reaching, stemming from foreseeable increased in demand from companies wanting to digitize their businesses. Accordingly, HCSB is seen to be in a good position to fill these needs as it already has the relevant expertise, product and service offerings.

HCSB is a horizontal solutions provider focusing on change management, manpower improvement, operational efficiency and strategy implementation, driven by organisational digitisation transformation of information and data-intensive process integration of Industry 4.0-enabling technologies. HCSB has served medium-sized to Fortune 500 Malaysian companies for more than 12 years, and has been recognised in 2019 as the Top 10 Change Management Consulting/ Services in Asia Pacific. Riding on these credentials, HCSB has secured and is envisaged to aid the securing of more lucrative projects in the 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 2018, the pro-forma effects of the Proposed Acquisition on the consolidated NA per share and net gearing ratio are as follows:

	<b>Audited as at 31 December 2018</b>	<b>After Proposed Acquisition</b>
	<b>RM'000</b>	<b>RM'000</b>
Share Capital	1,115,045	1,115,045
Reserves	(563,134)	(563,134)
Accumulated Loss	(171,018)	(169,038)
<b>Shareholders' Equity / NA</b>	<b>380,893</b>	<b>382,873</b>
Non-Controlling Interest	-	849
<b>Total Equity</b>	<b>380,893</b>	<b>383,722</b>
No. of Ordinary Shares	1,122,308	1,122,308
<b>NA Per Share</b>	<b>0.34</b>	<b>0.34</b>
<b>Gearing (times)</b>	<b>0.06</b>	<b>0.06</b>

## **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 is approximately 3.81% based on the latest audited consolidated net asset of Hua-An for the financial year ended 31 December 2018.

## **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 in the best interests of Hua-An.

## **12. DOCUMENT AVAILABLE FOR INSPECTION**

The 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 23 April 2020.

**SALIENT TERMS OF THE SPA**

**1. Consideration**

**1.1 Purchase Consideration**

The consideration for the purchase of the Sale Shares shall be the cash sum of RM14,500,000.00.

**1.2 Mode of Payment**

Subject to the fulfilment of the matters stated in Paragraph 6.2 and Schedule 3 of the SPA (Completion Obligations), the sum of RM14,500,000.00 shall be paid in the following manner:

- i. RM1,450,000.00, being 10% of the Purchase Consideration upon completion of the SPA;
- ii. RM3,625,000.00, being 25% of the Purchase Consideration within 3 months from the completion of the SPA;
- iii. RM5,075,000.00, being 35% of the Purchase Consideration within 6 months from the completion of the SPA;
- iv. RM2,175,000.00, being 15% of the Purchase Consideration upon Completion of Year 1 of the Profit Guarantee as stipulated in Paragraph 2 (Profit Guarantee); and
- v. RM2,175,000.00, being 15% of the Purchase Consideration upon Completion of Year 2 of the Profit Guarantee as stipulated in Paragraph 2 (Profit Guarantee).

**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 made by the Vendors to the Purchaser in respect of any claim against the Vendors which may be in breach of the SPA (including but not limited to the breach of Paragraph 5 (Actions pending completion) (or any agreement entered into pursuant to the 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 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 The Parties herein acknowledge that the Vendors shall remain responsible for the management and the business affairs of HCSB notwithstanding the Completion of the SPA.
- 2.2 In consideration of the Purchaser entering into the SPA, the Vendors hereby agree to guarantee that the profit after tax of RM2,000,000.00 per annum for 2 years, and the cumulative total guaranteed profit for the said 2 year period shall be RM4,000,000.00 ("**the Guaranteed Profit**"), commencing from 1st July 2020 and expiring on 30 June 2022, AND the Parties agree that any shortfall in Year 1 of the Guaranteed Profit may be brought forward to Year 2 ("**the Profit Guarantee**").
- 2.3 In the event that the actual profit shall fall below the Guaranteed Profit upon the expiry of the Profit Guarantee, the Purchase Consideration shall be reduced by the difference between the Guaranteed Profit and the actual profit ("**the Differential Profit**") accordingly, proportionately to the instalment payments in Paragraph 1.2(iv) and Paragraph 1.2(v), calculated on this basis:

Differential Profit

\_\_\_\_\_ X RM4,350,000.00 (being the final 30% of the Purchase Consideration)  
RM4,000,000.00

= Reduction of the Purchase Consideration

- 2.4 Notwithstanding anything in the SPA, the final 2 instalments under Paragraph 1.2(iv) and Paragraph 1.2(v) 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.
- 2.5 Any shortfall of the Guaranteed Profit shall be calculated based on the audited accounts of HCSB, 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 2021) and such reductions in the Purchase Consideration shall be reflected in the final payment instalment under Paragraph 1.2(iv) and 1.2(v), proportionately based on the shortfall of HCSB, and such reductions in Purchase Consideration shall be determined by the Purchaser in 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 HCSB which involve financial matters and/or any other matters which affect and/or may affect the Guaranteed Profit shall be made by solely by the Vendors, and the same shall be reflected in the shareholders agreement to be executed between the Purchaser and the Vendors.



**3. Completion Date**

The date falling on the expiry of 30 days after the Unconditional Date shall be referred to as the "**Completion Date**", or such other date that may be mutually agreed by the Parties in writing, whichever is the later.

**4. Conditions Precedent**

The Completion of the SPA to sell and purchase the Sale Shares contained in Clause 2.1 of the SPA (Sale of Sale Shares) 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 HCSB, over the business, affairs, operations, assets and liabilities, prospects and records of HCSB;
- (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 HCSB for the transfer of the Sale Shares to the Purchaser free from Encumbrances (as defined in the 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 HCSB 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 HCSB or include any right to terminate exercisable prior to or as a result of any matter contemplated by the 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 SPA or of any such right to terminate, if applicable;

- (g) the issuance of a waiver letter, substantially in the form attached to Schedule 4 of the SPA by the Vendors to HCSB waiving all their rights of action of any kind, arising in any capacity or in any jurisdiction, against HCSB and its subsidiary or any of their respective officers or employees, including without limitation to the Shareholders' Loan ("**Waiver Letter**");
- (h) all amounts owing from or to the Vendors, subsidiary companies and related parties including shareholders and directors advances in HCSB's books, be waived;
- (i) The approval of the shareholders of the Purchaser and Vendor respectively, if required; and
- (j) execution of the employment contracts between the Purchaser and the Vendors as key senior management ("**Employment Agreement**").

## **5. Actions Pending Completion**

### **5.1 Vendor' general obligations**

Except as permitted in the SPA or where any prior written consent of the Purchaser has been given to the Vendors, the Vendors hereby jointly and severally covenant and undertake to use their best endeavour to ensure that as from the date hereof and pending Completion, shall procure at its best effort, HCSB to:

- (a) continue to conduct its present business according to its present practice and in the ordinary course of business and specifically ensure that it does not put the ownership and control of any of its key business contracts at risk, nor change its present business, nor commence any new business;
- (b) not to sell, transfer, lease, let or encumber or dispose of or otherwise howsoever deal or part with possession of any of its assets or undertakings or any part or parts thereof other than in the ordinary course of business;
- (c) not to 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 HCSB whether by way of sale, transfer, assignment or otherwise of the shares of HCSB, with any person or entity other than the Purchaser for a period of 90 days from the date of the SPA (subject to any mutually agreed extension thereof) (the "**Exclusivity Period**");
- (d) not to create or issue or agree to create or issue any share or loan capital or give or agree to give any option or right or interest in respect of any share or loan capital;
- (e) not to hold or convene any meeting which proposes or passes a resolution except to give effect to the SPA or for its ordinary course of business;

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- (f) not to cause any licence, permit or statutory approval relating to its business to be revoked, withdrawn or suspended unless such revocation, withdrawal or suspension is to facilitate the issuance of any licence, permit or statutory approval to it;
- (g) to maintain all insurance cover and not do anything which will affect its validity;
- (h) not to change HCSB's auditors, unless with prior consent from the Purchaser;
- (i) not to alter its memorandum and articles of association/ constitution, as the case may be, in any respect except in compliance with requirements of law and/or any public authorities and/or as may be necessary to give effect to the terms of the SPA;
- (j) not to incur any borrowing or indebtedness except that entered into in the ordinary course of business;
- (k) not to enter into any abnormal or long-term contract or capital commitment which are outside the normal course of its business. The expression "long-term" shall mean any length of time exceeding 90 days;
- (l) not to pay or declare any dividend or make any other distribution;
- (m) not to enter into any service contracts with its directors or employees nor increase the remuneration paid to its directors and employees, save and except the entering into the employment agreement in the ordinary and usual course of business;
- (n) shall comply in all respects with all applicable laws, rules, regulations and orders to which it is subject; and
- (o) to maintain normal level of working capital required to meet its business plan.

### 5.2 Due diligence access

- (a) Without prejudice to the Warranties and undertakings herein, in order to enable the due diligence investigations referred to in Paragraph 4 (Conditions precedent) to be carried out, the Vendors shall provide and shall procure HCSB to provide the Purchaser and its representatives and agents with access and entry to the relevant premises where all the records, books and accounts in respect of the Sale Shares, HCSB are held, subject to the receipt by the Vendors of the Purchaser's written request for access and entry to the relevant premises at least seven (7) Business Days before the access and entry to the relevant premises is carried out.

- (b) The Vendors shall procure for the Purchaser and its representatives and agents, all the assistance, co-operation and access necessary for the due diligence investigations subject to the receipt by Vendor of the Purchaser's written request for access at least three (3) Business Days before the access is carried out and each shall on written request of the other provide copies of all documents at the cost and expense of the Purchaser.

## **6. Completion**

### **6.1 Date and place**

Subject to Paragraph 4, 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.

### **6.2 Obligations on Completion**

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

### **6.3 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 HCSB.