

TECHNA-X BERHAD (FORMERLY KNOWN AS SINO HUA-AN INTERNATIONAL BERHAD) ("TXB")

SHARE TRANSFER AGREEMENT BETWEEN TXB AND CHASWOOD RESOURCES SDN. BHD. FOR THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CHASWOOD RESTAURANT MANAGEMENT (BEIJING) CO., LTD.

1. INTRODUCTION

The Board of Directors of TXB wishes to announce that TXB had on 23 December 2020 entered into a Share Transfer Agreement ("**STA**") with Chaswood Resources Sdn. Bhd. ("**Vendor**") for the proposed acquisition of entire equity interest in Chaswood Restaurant Management (Beijing) Co., Ltd. ("**Target Company**") via the transfer of shares in the Target Company by the Vendor to TXB for a total transfer price of RM1.0 million ("**Transfer Price**") subject to the terms and conditions as stipulated in the STA ("**Share Transfer**").

(The Vendor and TXB 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 SHARE TRANSFER

The Share Transfer entails the transfer of the entire registered capital of USD8.8 million ("**Shares**") in the Target Company representing the entire equity interest in the Target Company from the Vendor to TXB for the Transfer Price in accordance with the terms and conditions of the STA.

Upon completion of the Share Transfer, the Target Company will become a wholly-owned subsidiary of TXB.

2.1 Information of Vendor

The Vendor is a private limited company incorporated in Malaysia on 21 February 2002. The Vendor is principally engaged in developing and operating restaurant businesses and investment holding.

As at 23 December 2020, being the latest practicable date prior to this announcement ("**LPD**"), the Vendor has an issued share capital of RM3,000,000 comprising of 3,000,000 ordinary shares.

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

Name	No. of Ordinary Shares	% of Issued Share Capital
<u>Directors</u>		
Ng Teck Wah	-	-
Chin Yong Fong	-	-
<u>Shareholder</u>		
Tremendous Asia Management Inc	3,000,000	100%

2.2 Information of the Target Company

The Target Company is an enterprise established in the People's Republic of China on 25 November 1994 with a term of business up to 24 November 2024. The principal activities of the Target Company is principally engaged in operating restaurant businesses.

As at the LPD, the registered paid-up capital of the Target Company is USD 8.8 million and it is a wholly foreign owned enterprise of the Vendor.

The sole Director of the Target Company is Andrew Roach Reddy. The Target Company does not have any subsidiaries or associate companies.

2.3 Mode of Settlement of the Transfer Price

The Transfer Price of the Share Transfer will be fully settled in cash. The Parties agree that TXB shall pay the Transfer Price within seven (7) working days upon full satisfaction of the conditions precedent set out below.

The Parties may change the above payment schedule upon mutual consent in writing if necessary.

The Vendor undertakes and warrants that it shall use the Transfer Price received for the repayment of loan(s) extended by CIMB Bank Berhad and discharge the loan(s) and any security (if any security provided) to ensure that the Shares are free from any encumbrance on the Change Registration Date as defined in the STA.

2.4 Basis and Justification of Arriving at the Transfer Price

The Transfer Price 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 Shares Transfer including the earnings potential and prospects of the Target Company.
- (ii) the favourable outlook and prospect of the food and beverage industry as set out in Section 6 of this announcement.

2.5 Source of Funding

The Transfer Price 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.

2.6 Liabilities to be assumed

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

2.7 Additional Financial Commitment Required

Save and except for funds envisaged for the expansion of business operations and opening of new outlets as set out in Section 6 of the announcement, no additional financial commitment by TXB is envisaged for the Target Company at this juncture.

3. CONDITIONS PRECEDENT

The Parties unanimously agree that the following matters shall be completed on or before the Change Registration Date as conditions precedent for the completion of performance of the STA by TXB and the Vendor:

- 3.1** The result of financial and legal due diligence on the Target Company before the Date of Submission shall be satisfactory to TXB.
- 3.2** TXB, the Vendor and their respective controlling entities shall have passed all the internal and external approvals before the Date of Submission in accordance with the applicable laws and their constitutional documents in respect of the purchase of the Shares by TXB from the Vendor, including but not limited to the approval of their general meeting and/or board of directors, relevant stock exchanges, relevant regulatory authorities etc. (if required).
- 3.3** The Vendor has obtained approval from CIMB Bank Berhad in respect of the Share Transfer.
- 3.4** All the approvals of and registrations and filings with the People Republic of China's governmental authorities, i.e. the competent commerce administrative authority and corporate registry, required for the execution and performance of the STA shall have been obtained.
- 3.5** In the event that the conditions precedent as set out above are not satisfied for any reason, TXB or Vendor shall be entitled to elect to terminate the STA with immediate effect by serving a written notice to the counter party without having to undertake any legal responsibilities.

4. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITION

The Share Transfer will provide a springboard for TXB to further expand its footprint in the overseas market. By virtue of having a presence in China via an already operational and established business concern, TXB will be able to benefit from the tremendous opportunities available from one of the largest consumable markets in the world.

5. RISK FACTORS

The Share Transfer is subject to terms and conditions of the STA. There is no assurance that the Share Transfer will not be exposed to risks such as inability to fulfill the terms and conditions therein.

Following the completion of the STA, the Group will be subjected to challenges and inherent risks associated with the business and operations of the Target Company.

6. PROSPECTS OF THE TARGET COMPANY

The food and beverage industry in China's fast-growing economy is projected to bring about an overall revenue size of US\$152,445m in 2020. With an annual growth rate (CAGR 2020-2025) of 9.9%, this industry is expected to generate a projected market size of US\$244,055m by 2025. To capitalise on such a tremendous market growth potential, TXB plans to open several new outlets within the next three (3) years in China, which shall amongst others, include three (3) new TGI Fridays in Beijing as well as ten (10) Teh Tarik Place in various locations in China.

7. FINANCIAL EFFECTS OF THE SHARE TRANSFER

7.1 Share Capital and Substantial Shareholders' Shareholding

The Share Transfer will not have any effect on the share capital and substantial shareholders' shareholding in TXB as the Shares Transfer does not involve any issuance of new shares in TXB.

7.2 Earnings and Earnings per Share ("EPS")

The Share Transfer is expected to be earnings accretive and will contribute positively to the future earnings and EPS of TXB.

7.3 Net Assets ("NA") and NA per share of TXB and Gearing

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

	Audited as at 31 December 2019 RM'000	After Share Transfer RM'000
Share Capital	1,115,045	1,115,045
Reserves	(568,468)	(568,468)
Accumulated Loss	(354,767)	(354,987)
Shareholders' Equity / NA	191,810	191,590
Non-Controlling Interest	-	-
Total Equity	191,810	191,590
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

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

None of the Directors and major shareholders of TXB and/or person connected to them have any interest, direct or indirect, in the Share Transfer.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances, the Share Transfer is expected to complete by the first quarter of 2021, or at such other extended dates as may be mutually agreed between the Parties.

10. PERCENTAGE RATIO

The highest percentage ratio applicable to the Share Transfer pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 3.87% based on the latest audited consolidated net asset of TXB for the financial year ended 31 December 2019.

11. APPROVAL REQUIRED

The Shares Transfer is not subject to the approval of the shareholders of TXB and/or approval from any regulatory authority.

12. DIRECTORS' STATEMENT

The Board of Directors of TXB, having considered all aspect of the Shares Transfer, is of the opinion that the execution of the STA is in the best interests of TXB.

13. DOCUMENT AVAILABLE FOR INSPECTION

The STA is available for inspection at the registered office of TXB 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 24 December 2020.