iWOW TECHNOLOGY LIMITED
Company Registration No. 199905973K
(Incorporated in the Republic of Singapore)

ENTRY INTO A NON-BINDING TERM SHEET IN RELATION TO A PROPOSED ACQUISITION

1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of iWOW Technology Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has, on 19 September 2022, entered into a non-binding term sheet (the "**Term Sheet**") with the sole shareholder of the Target (as defined below) (the "**Vendor**") and the controlling shareholders of the Vendor (the "**Controlling Shareholders**", and collectively with the Target, the Vendor and the Company, the "**Parties**", and each a "**Party**") in relation to the proposed acquisition by the Company of the entire issued and paid-up share capital of the target (the "**Target**") (the "**Proposed Acquisition**").

The Term Sheet is not intended to be legally binding between the Parties, except for certain provisions relating to exclusivity period and confidentiality. As such, the Proposed Acquisition remains subject to the entry into a definitive sale and purchase agreement (the "Definitive Agreement") for the Proposed Acquisition. For the avoidance of doubt, the terms and conditions of the Proposed Acquisition are not limited to that set out in the Term Sheet and the agreed terms of the Proposed Acquisition in the Definitive Agreement (if and when entered into) may or may not differ from that set out in the Term Sheet.

2. INFORMATION ON THE TARGET, THE VENDOR AND THE CONTROLLING SHAREHOLDERS

The information in this section relating to the Target, the Vendor and the Controlling Shareholders is based on information provided by and/or representations made by the Target, the Vendor and/or the Controlling Shareholders. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below. The sole responsibility of the Company and the Directors in this regard has been limited to ensuring that such information has been properly extracted and reproduced in the context that the information has been disclosed in this announcement.

The Target is a private company limited by shares incorporated in Singapore, and is a Singapore-based telecommunication solutions provider and regional value-added distributor with proven track records in serving telcos and enterprise clients with mission-critical infrastructure.

As at the date of this announcement, the Controlling Shareholders hold an aggregate approximately 96.0% shareholding in the Vendor which in turn holds 100% of the issued and paid-up share capital of the Target, and the Controlling Shareholders are also the directors of the Target. The Target currently has a wholly-owned subsidiary incorporated in Malaysia (the "**Malaysia Subsidiary**", and collectively with the Target, the "**Target Group**").

To the best knowledge of the Directors, the Vendor and/or the Controlling Shareholders do not have any shareholding interest, direct or indirect, in the Company, nor are the Vendor and/or the Controlling Shareholders related to any of the Directors, chief executive officer or the Company's controlling shareholders (as defined in the Listing Manual Section B: Rules of Catalist (the

"**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")), or their respective associates (as defined in the Catalist Rules).

Further details on the Target, the Vendor and the Controlling Shareholders will be provided in the Company's announcement upon the signing of the Definitive Agreement.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's expansion plans which include:

(a) expansion through mergers and acquisitions, which focus on acquiring complementary solutions to expand the Group's suite of product and solutions offerings;

(b) enlarging its customer base and product offerings, which focus on acquiring new B2B customer bases and cross selling of the Group's enhanced suite of products and solutions; and

(c) expanding its market reach, which focus on accelerating the Group's growth by scaling via offering the Group's products and solutions beyond Singapore.

The Company believes that the Proposed Acquisition, if undertaken and completed, would present a good opportunity for the Group to:

(a) enhance its capabilities and credibility to pursue large-scale national information and communications technology infrastructure opportunities;

(b) exploit the enlarged customer-base through cross-selling of the Group's enhanced suite of products and solutions;

(c) inherit a proven service-operation team;

(d) extend its regional presence;

(e) tap on regional opportunities arising from the 5G roll-out; and

(f) better position itself to meet the exponential demand for Smart City Internet of Things (IOT) solutions from both the public and private sectors.

Following the completion of the Proposed Acquisition (the "**Completion**"), the Company is expected to leverage on the Target Group's expertise, experience and solutions to support the Group's expansion plans and accelerate growth. Accordingly, the Proposed Acquisition has the potential to enhance shareholders' value in the Company and contribute positively to the growth, financial position and long-term prospects of the Group.

4. PRINCIPAL TERMS OF THE TERM SHEET

The principal terms of the Term Sheet are set out below.

4.1 Proposed Acquisition

The acquisition by the Company of 100% of the issued and paid-up share capital of the Target comprising 2,200,002 ordinary shares (the "**Sale Shares**"), from the Vendor, will be documented via the Definitive Agreement to be executed by the Parties.

4.2 **Consideration**

Pursuant to the Term Sheet, the consideration for the Proposed Acquisition (the "**Consideration**") shall be calculated based on six (6) times multiple of the audited annual average net profit after tax (the "**NPAT**") of the Target, after deduction of exceptional expenditure (including, without limitation, interest expenses and management fees as well as capping internal and external audit fees), over a 3-year period commencing from 1 April 2023 to 31 March 2026 (both dates inclusive) (the "**Relevant Period**") (the "**Forward Average NPAT**"), provided that the Consideration shall be capped at S$18,000,000.

The Consideration is arrived at on a willing-seller willing-buyer basis after arm's length negotiations between the Controlling Shareholders, the Vendor and the Company, taking into account the average annual NPAT of approximately S$1,350,000 for the last three (3) financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 (the "**Historical Average NPAT**"), the Profit Guarantee (as defined below), the NLAT Undertaking (as defined below) and the NTA Undertaking (as defined below) given by the Controlling Shareholders, the Vendor and/or the Target (as the case may be) to the Company as well as the rationale for, and benefits of, the Proposed Acquisition.

The Consideration shall be satisfied by a combination of cash and issuance of new ordinary shares in the capital of the Company (the "**Consideration Shares**") in the following manner:

(a) the Company shall make an initial payment of S$8,100,000 (the "**Initial Tranche Payment**"), which is calculated based on six (6) times multiple of the Historical Average NPAT, to the Vendor on the Completion Date (as defined below) comprising the following:

(i) S$4,860,000 (representing 60% of the Initial Tranche Payment) which shall be satisfied in cash; and

(ii) S$3,240,000 (representing 40% of the Initial Tranche Payment) which shall be satisfied by the allotment and issuance by the Company to the Vendor (and/or its nominee(s) as it may direct) of the Consideration Shares (the "**1st Tranche Consideration Shares**"); and

(b) the balance of the Consideration of up to S$9,900,000 (the "**Post-Completion Tranche Payment**") shall be payable by the Company to the Vendor, subject to paragraph 4.2(c) of this announcement, within thirty (30) days after the Forward Average NPAT for the Relevant Period is determined, comprising the following:

(i) not less than 60% of the Post-Completion Tranche Payment (i.e., not less than S$5,940,000 where the Post-Completion Tranche Payment is S$9,900,000) shall be satisfied in cash; and

(ii) the remaining 40% or less of the Post-Completion Tranche Payment (i.e., S$3,960,000 or less where the Post-Completion Tranche Payment is S$9,900,000) shall be satisfied by the allotment and issuance by the Company to the Vendor (and/or its nominee(s) as it may direct) of the Consideration Shares (the "**2nd Tranche Consideration Shares**").

(c) The Controlling Shareholders, the Vendor and the Company agree that the final amount payable (if any) by the Company to the Vendor under the Post-Completion Tranche Payment shall be determined at the end of the Relevant Period by taking into account

six (6) times multiple of the Forward Average NPAT achieved by the Target over the Relevant Period (the "**Valuation**"), assessed against the Initial Tranche Payment made by the Company to the Vendor in accordance with the formula set out below:

Post-Completion Tranche Payment / (Shortfall Amount) (S$)	**=**	***Forward Average NPAT achieved by the Target over the Relevant Period (S$)***	***X 6 –***	***Initial Tranche Payment***

For the avoidance of doubt, the formula set out above shall only apply where the Forward Average NPAT achieved by the Target over the Relevant Period is equal to or more than S$1,000,000, and the Post-Completion Tranche Payment shall be capped at S$9,900,000.

If the Forward Average NPAT achieved by the Target over the Relevant Period is equal to or more than S$1,000,000, but the Valuation is less than the Initial Tranche Payment (being S$8,100,000) (the "**Shortfall Amount**"), the Company shall not be required to pay any amount to the Vendor under the Post-Completion Tranche Payment, and instead, the Controlling Shareholders and the Vendor shall be collectively and individually liable to pay back an amount equivalent to the Shortfall Amount in cash within thirty (30) days after the Forward Average NPAT for the Relevant Period is determined.

The Consideration Shares shall be issued at a price to be agreed by the Parties, subject to the requirements under the Catalist Rules. Further details on the Consideration (including the terms of payment) will be provided in the Company's announcement upon the signing of the Definitive Agreement.

4.3 **Profit Guarantee & NLAT Undertaking**

Pursuant to the Term Sheet, the Controlling Shareholders and the Vendor shall undertake to the Company that the Forward Average NPAT to be achieved by the Target over the Relevant Period shall not be less than S$1,000,000 (the "**Profit Guarantee**"). In the event that the Forward Average NPAT achieved by the Target over the Relevant Period is less than the Profit Guarantee but not being negative, the Controlling Shareholders and the Vendor recognise that the Company is acquiring the Sale Shares at a six (6) times multiple of the Profit Guarantee, and shall be collectively and individually liable to pay in cash to the Company a sum which shall be S$2,100,000.

Further to the above, in the event that the Target incurs an audited annual average net loss after tax (the "**Average NLAT**") over the Relevant Period, the Controlling Shareholders and the Vendor undertake to the Company that, in addition to the amount payable under the Profit Guarantee which shall be $2,100,000, the Controlling Shareholders and the Vendor shall be collectively and individually liable to pay in cash to the Company an amount equivalent to the Average NLAT incurred by the Target (the "**NLAT Undertaking**"), provided that the aggregate amount payable by the Controlling Shareholders and the Vendor to the Company under the Profit Guarantee and the NLAT Undertaking shall be capped at S$3,100,000.

For the avoidance of doubt, the total amount payable (if any) by the Controlling Shareholders and the Vendor to the Company under the Profit Guarantee and the NLAT Undertaking shall be assessed at the end of the Relevant Period and shall be paid by the Controlling Shareholders and the Vendor in cash to the Company within thirty (30) days after the Forward Average NPAT or the Average NLAT for the Relevant Period is determined.

Pursuant to the Term Sheet, the Parties agree that the Forward Average NPAT or the Average NLAT shall be determined by the auditors of the Company (the "**Company Auditors**") from the audited accounts of the Target. The Company Auditors shall be deemed to act as experts and not as arbitrators and their determination shall be final and binding on all persons concerned and in the absence of fraud or manifest error, the Company Auditors shall be under no liability to any such person by reason of their determination or by anything done or omitted to be done by them for the purposes thereof or in connection therewith.

Further details on the Profit Guarantee and the NLAT Undertaking will be provided in the Company's announcement upon the signing of the Definitive Agreement.

4.4 **Conditions Precedent**

Completion of the Proposed Acquisition shall be subject to the fulfilment (or waiver) of customary conditions precedent (the "**Conditions Precedent**") for share acquisition transactions of a similar nature, including but not limited to:

(a) the completion of the due diligence investigations (whether legal, financial, technical, business, tax or otherwise) on the Target Group by the Company and/or its advisers, and the results of such investigations being reasonably satisfactory to the Company in its sole and absolute discretion; and

(b) all consents, approvals, actions or filings, or giving of notices to, any governmental agency or any other person required in connection with the transactions contemplated in the Definitive Agreement or the entry into and completion of the Definitive Agreement being obtained or made (as the case may be) without any restriction or limitation which is unacceptable to the Company (in its reasonable opinion), in full force and effect, and not withdrawn, suspended, amended or revoked, and if granted or obtained subject to any condition(s), and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled before Completion, and the Company being furnished with evidence satisfactory to it of the same including, in particular, and without limitation:

(i) the approval of the board of directors of the Target for the sale of the Sale Shares from the Vendor to the Company having been obtained;

(ii) the approval of the Board of the Company in respect of the transactions contemplated in the Definitive Agreement upon the terms and conditions set out in the Definitive Agreement having been obtained; and

(iii) the receipt of listing and quotation notice from the SGX-ST for the listing and quotation of the 1st Tranche Consideration Shares on the Catalist Board of the SGX-ST having been obtained and not having been revoked or withdrawn by the SGX-ST and, where such listing and quotation notice is subject to conditions (in respect of such conditions which are not normally imposed by the SGX-ST for a transaction of a similar nature), (i) to the extent they are required to be fulfilled

on or before the Completion Date (as defined below), they are so fulfilled and (ii) such conditions, if applicable to the Company, being acceptable to the Company in its sole and absolute discretion, and if applicable to the Vendor, being acceptable to the Vendor in its sole and absolute discretion.

Further details on the Conditions Precedent will be provided in the Company's announcement upon the signing of the Definitive Agreement.

4.5 **Completion**

Completion of the Proposed Acquisition shall take place on a date falling fourteen (14) days after all the Conditions Precedent are fulfilled (or if not fulfilled, are waived), or such other date as may be agreed in writing by the Parties (the "**Completion Date**"), in any event not later than six (6) months from the date of execution of the Definitive Agreement, unless otherwise extended by the Parties in writing.

On the Completion Date, legal title of the Sale Shares shall be transferred from the Vendor to the Company notwithstanding that full payment of the Consideration has not been made.

4.6 **Non-Compete Undertaking**

The Controlling Shareholders shall undertake customary restrictive covenants in favour of the Target (the "**Non-Compete Undertaking**"), which provides *inter alia* that the Controlling Shareholders shall not, for a period of two (2) years commencing from the Completion Date, directly or indirectly:

(a) persuade or attempt to persuade any employee of the Target and/or the Malaysia Subsidiary, or any individual who was an employee during the period from the date of incorporation of the Target and/or the Malaysia Subsidiary up to the Completion Date, to leave the employ of the Target and/or the Malaysia Subsidiary, or to become employed by any person other than the Target and/or the Malaysia Subsidiary;

(b) solicit or attempt to solicit any person, firm, partnership, company, corporation, association, organisation or trust (in each case whether or not having a separate legal personality) who is or has been a customer of the Target and/or the Malaysia Subsidiary at any time during the period from the date of incorporation of the Target and/or the Malaysia Subsidiary up to the Completion Date for the purpose of offering to such customer goods or services similar to or competing with those of the business of the Target and/or the Malaysia Subsidiary;

(c) either solely or jointly with or on behalf of any other person, firm or partnership, company, corporation, sole proprietorship, association, organisation or trust (in each case whether or not having a separate legal personality) be engaged or attempt to engage or interested in any business in Singapore or Malaysia which is similar to or in competition with the business of the Target and/or the Malaysia Subsidiary;

(d) act, or nominate any person to act (as the case may be), as director or (except with the prior written consent of the Company), manager, sales, promotion or marketing agent or consultant or otherwise of any other person, firm or partnership, company, corporation, association, organisation or trust (in each case whether or not having a separate legal personality) engaging directly or indirectly in any business in Singapore or Malaysia which is in competition with the business of the Target and/or the Malaysia Subsidiary;

(e) be employed, engaged or interested in any capacity in any other business, trade or occupation within Singapore or Malaysia that is in competition, whether directly or indirectly, with the business of the Target and/or the Malaysia Subsidiary; and/or

(f) cause or permit any person or company under their control or in which they have any beneficial interests to do any of the foregoing acts or things.

4.7 **Representations, Warranties & Undertakings**

Pursuant to the Term Sheet, in addition to the Profit Guarantee and the NLAT Undertaking provided by the Controlling Shareholders and the Vendor to the Company, as well as the Non-Compete Undertaking provided by the Controlling Shareholders:

(a) the Controlling Shareholders and the Vendor undertake to the Company that the Sale Shares shall be sold free from any legal encumbrances and together with all rights and advantages attaching or accruing to it as at the Completion Date;

(b) the Target undertakes, and the Controlling Shareholders and the Vendor undertake to procure the Target, to change the financial year end of the Target and the Malaysia Subsidiary (if applicable) from 31 December to 31 March; and

(c) the Target shall undertake, and the Controlling Shareholders and the Vendor shall undertake to procure that, the net tangible asset ("**NTA**") of the Target shall not be less than S$6,000,000 as at the Completion Date (the "**NTA Undertaking**") assuming a maximum dividend of S$8,000,000 to be distributed prior to the Completion Date.

The Company further undertakes to the Vendor that it shall submit an application to the SGX-ST for the listing and quotation of the 2nd Tranche Consideration Shares on the Catalist Board of the SGX-ST after the issue price of the 2nd Tranche Consideration Shares is determined.

All other representations, undertakings and warranties that are customary for such share acquisition transactions of a similar nature shall be included in the Definitive Agreement.

4.8 **Exclusivity Period**

The Parties agree to an exclusivity period of three (3) months from the date of signing the Term Sheet, or such longer period as the Parties may agree in writing (the "**Exclusivity Period**") to conduct due diligence and negotiate the terms of the Definitive Agreement.

During the Exclusivity Period, the Controlling Shareholders and the Vendor shall not (directly or indirectly) negotiate or engage in discussions with, solicit or entertain an offer from, or enter into any agreement or arrangement with any other person or entity, in relation to any expression of interest, offer or proposal by any person which is in competition with the Proposed Acquisition.

4.9 **Duration and Termination**

The Parties will use their best endeavours and negotiate in good faith to finalise and execute the Definitive Agreement before the expiry of the Exclusivity Period, provided that the Term Sheet (which is non-binding save for the provisions relating to Exclusivity Period and confidentiality) shall automatically terminate upon the earliest of the following:

(a) execution of the Definitive Agreement by the Parties;

(b) mutual consent in writing by the Parties; or

(c) expiry of the Exclusivity Period (unless otherwise extended by the Parties in writing).

4.10 **Governing Law and Jurisdiction**

The Term Sheet is governed by and construed in accordance with the laws of Singapore, and the Parties agree to submit to the exclusive jurisdiction of the Singapore courts.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS OF THE COMPANY

As at the date of this announcement, as far as the Directors are aware, none of the Directors or the Company's controlling shareholders (as defined in the Catalist Rules) has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective directorship and shareholding interests (if any) in the Company.

6. FURTHER ANNOUNCEMENTS

The Board wishes to emphasise that the Term Sheet is subject to the Parties' entry into the Definitive Agreement. The Proposed Acquisition is subject to further negotiations and conditions, and there is no certainty or assurance as at the date of this announcement that the Parties will eventually enter into any Definitive Agreement as contemplated under the Term Sheet.

The Proposed Acquisition, if proceeded with, is envisaged to constitute a "disclosable transaction" as defined under Chapter 10 of the Catalist Rules. The relative figures in respect of the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Catalist Rules will be provided in the Company's announcement upon the signing of the Definitive Agreement.

The Company will make further announcements as and when appropriate in compliance with the requirements of the Catalist Rules (including, *inter alia*, information required under Chapter 10 of the Catalist Rules) if and when the Definitive Agreement in respect of the Proposed Acquisition has been entered into and/or when there are material developments in respect of the Proposed Acquisition.

7. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as the Term Sheet is non-binding in nature, save for certain provisions relating to the Exclusivity Period and confidentiality, there is no certainty or assurance as at the date of this announcement that the Definitive Agreement will be entered into, the terms and conditions of the Proposed Acquisition will not differ from that set out in the Term Sheet, or the Proposed Acquisition will be undertaken or completed at all.

Shareholders and potential investors are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Bo Jiang Chek Raymond
Chief Executive Officer and Executive Director
22 September 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Evolve Capital Advisory Private Limited ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor are:-

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