

8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

(Company Registration No. 34713)
(Incorporated in Bermuda)
(the “Company”)

PROPOSED ISSUANCE OF 3% EQUITY-LINKED CONVERTIBLE NOTES DUE 2021 IN AGGREGATE PRINCIPAL AMOUNT OF UP TO S\$10,000,000 (“PROPOSED NOTES ISSUE”)

1. INTRODUCTION

The Board of Directors (the “Board”) of 8Telecom International Holdings Co.Ltd. (the “Company”) wishes to announce that the Company has on 21 September 2019 entered into a binding term sheet (the “Term Sheet”) with Lok Group Limited (“Subscriber”) pursuant to which the Company proposes to issue to the Subscriber 3.0% equity-linked convertible notes due 2021 (“ELN” or “Notes”) with an aggregate principal amount of up to S\$10,000,000 (“Proposed Notes Issue”).

Pursuant to the Term Sheet, the Company and the Subscriber (collectively, the “Parties” and each, a “Party”) have entered into negotiations on the terms and conditions of the Proposed Notes Issue, with the objective of finalizing and entering into a subscription agreement (“Subscription Agreement”) and other related documents in respect of the Proposed Notes Issue.

2. SALIENT TERMS OF THE PROPOSED NOTES ISSUE

Pursuant to the Term Sheet, the Parties envisage that the principal terms of the Proposed Notes Issue shall include the terms set out below:

2.1 Issue Instrument

Up to S\$10,000,000 Equity Linked Convertible Notes (“ELN”) to be issued in following manner:

- (i) the first tranche will be S\$2.5 million comprising 10 equal sub-tranches of S\$250,000 each (“Tranche 1”);
- (ii) the second tranche will be S\$2.5 million comprising 10 equal sub-tranches of S\$250,000 each (“Tranche 2”);
- (iii) the third tranche will be S\$2.5 million comprising 10 equal sub-tranches of S\$250,000 each (“Tranche 3”); and
- (iv) the fourth tranche will be S\$2.5 million comprising 10 equal sub-tranches of S\$250,000 each (“Tranche 4”).

The Issuer shall have the sole discretion to call upon subsequent tranches of ELNs at any time from and including the completion of conversion of the preceding tranches to and including the tenth Business Day thereafter.

For avoidance of doubt, the Subscriber shall have the discretion to call upon subsequent multiple sub-tranches of the Notes notwithstanding that all the preceding sub-tranches Notes have not been fully converted.

2.2 Issue Price

100% of the principal amount of the Notes (the "Note Issue Price")

2.3 Interest Rate

3% per annum payable in arrears on 31 December in each year with the first payment of interest being made on 31 December 2020. Interest is only payable if the Notes is issued and not converted.

2.4 Method of Issue

Privately placed to and purchased by the Subscriber. The Notes are issued, offered and sold by the Company in reliance of Section 272B of the Securities Act of Singapore without any accompanying prospects or Information Memorandum registered with the Monetary Authority of Singapore.

2.5 Initial Notes Subscription

The Subscriber will subscribe for the first 3 sub-tranches of the Tranche 1 Notes ("Initial Notes Subscription") being S\$750,000 on the 5th business day immediately after the last of the conditions precedent set out in the Subscription Agreement are fulfilled or such other date as the parties may agree in writing.

2.6 Conversion Terms

Subject to and upon compliance with the relevant conditions under the Subscription Agreement, any Note may be converted into duly authorised, fully paid and unencumbered shares, at the option of the holder thereof, at any time, from and including the respective dates on which they are issued and registered in accordance with the Subscription Agreement up to the close of the business on the day falling one week prior to the Maturity Date.

2.7 Conversion Price

The conversion price shall be 80% of the average closing price per share on any 3 consecutive business days on which shares were traded on SGX-ST as selected by the relevant Noteholder during the 45 business days immediately preceding the relevant conversion date of the Notes.

2.8 Maturity Date

2 years from date of signing of the Subscription Agreement.

2.9 Use of Proceeds

The Company shall use the proceeds for:

- (i) working capital; and
- (ii) Possible new business opportunities

2.10 Commitment Fee

A commitment fee of 5% of the Aggregate principle amount, being S\$500,000 is payable to the Subscriber on the closing date of the Initial Notes issue. The commitment fee payable shall be deducted by the Subscriber directly against the subscription amount payable to the Company for the Initial Notes Subscription.

2.11 Drawdown Fee

A 5% drawdown fee is payable to the Subscriber for each tranche drawdown and this will be deducted directly against the subscription amount payable to the Company for each Note tranches subscribed.

2.12 Subscriber's Due Diligence and Lawyer Cost and expenses

The company has agreed to bear all costs and expenses reasonably incurred by the Subscriber, including but not limited to fees and expenses and applicable GST of the Subscriber's legal and other professional advisers in connection with the preparation of the Agreement and the issue of the Notes pursuant to the terms and conditions of this Agreement, up to maximum of S\$50,000 (including GST).

2.13 Closing Conditions

Customary closing conditions, including, without limitation:

- (i) Satisfactory completion of due diligence exercise co-ordinated by the Subscriber with the Company's full co-operation and satisfactory resolutions to due diligence findings;
- (ii) Successful lifting of suspension of its shares on SGX;
- (iii) Successful signing of a definite Agreement to acquire a new business;
- (iv) Relevant and necessary approvals from SGX and all relevant regulatory authorities;
- (v) Signing of Equity Linked Convertible Notes Subscription Agreement between the Subscriber and the Company;
- (vi) No event occurring from the date hereof which has or can reasonably be expected to have a material adverse effect to the Group and the Company; and
- (vii) Any other conditions deemed necessary by the Subscriber subject to due diligence findings.

2.14 Due Diligence

The Company undertake to fully cooperate with and assist the Subscriber to grant access to all due diligence information / materials.

2.15 Governing Law

Singapore

3 DIRECTORS' VIEW

The Board has explored various alternative sources of financing possibilities but was unable to obtain any alternative financing for the Group in view of its current financial position and performance. Thus, the Board is of the view that the Proposed Notes Issues is in the best interest of the Company and its shareholders as it will ensure the ability of the Group to continue to operate as a going concern.

The Directors are satisfied after the review of the Term Sheet and legal advice, that the execution of such term sheet and the issuance of the Notes and/or Conversion Shares will not contravene any laws and regulations and that the requisite approval from SGX-ST and the Company's Shareholders will be required.

4 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Notes Issue, other than through their respective shareholdings in the Company. None of the Directors or controlling Shareholders of the Company or their respective associates has any connection (including business relationship) with the Subscriber.

5 FURTHER INFORMATION

Subject to the execution of the Subscription Agreement and the approval of the SGX-ST, the Company intends to seek shareholders' approval in relation to the Proposed Notes Issue and a circular to the Company's shareholders containing, inter alia, the notice of the extraordinary general meeting and details of the terms and conditions of the Proposed Notes Issue will be dispatched to the Company's shareholders in due course.

The Company will make further announcements upon the execution of the Subscription Agreement or when there are material developments in respect of the Proposed Notes Issue.

Further details of the Proposed Notes Issue including, *inter-alia*, dilution impact, financial effects, risk factors, restrictions and pre-emptive rights, minimum conversion price or floor price and the maximum number of will be disclosed in due course via a separate announcement and/or a circular.

6 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Notes Issue, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

BY ORDER OF THE BOARD

WU BIN
Executive Director

22 September 2019