HU AN CABLE HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration No. 200810320N)

CONDITIONAL SALE AND PURCHASE AGREEMENT IN RESPECT OF THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP CAPITAL OF DA HANG TRADING PTE LTD

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1. INTRODUCTION

The Board of Directors (the "Board") of Hu An Cable Holdings Ltd. (the "Company") wishes to announce that the Company had entered into a conditional Sale and Purchase Agreement (the "**Agreement**") with Lai Jianling and Lin En (collectively the "**Vendors**") on 4 May 2020 with respect to the acquisition of 16,320 fully paid-up ordinary shares (the "**Sale Shares**") in the capital of Da Hang Trading Pte Ltd (the "**Target**"), comprising of 51% of the issued and paid-up share capital of the Target, from the Vendors for a total consideration of S$1,700,000 (the "**Consideration**"), payable by way of issuance of 188,888,889 new ordinary shares in the Company (the "**Consideration Shares**") upon the terms and subject to the conditions of the Agreement (hereinafter referred to as the "**Proposed Acquisition**").

2. INFORMATION ON THE VENDORS AND THE TARGET

The information on the Vendors and the Target in this paragraph 2 was provided by the Vendors. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

2.1 Information on the Vendors

The Vendors are Singapore Permanent Residents originating from China. The Vendors are formed a husband and wife team and founded the Target in 2013.

None of the Vendors and other shareholder of the Target, Mdm Lin Xiaomei, are related to the Company, the Directors or controlling shareholders of the Company, and their respective associates. As of the date of this announcement, none of the Vendors or the other shareholder of the Target, Mdm Lin Xiaomei, hold any shares in the share capital of the Company.

The Company was introduced to the Vendors in the course of business networking. The Directors started discussion about business collaboration in late 2018 with the Vendors that eventually lead to the Target engaging the Company to be its manager to provide certain management services to the Target on 1 March 2019 under a Management and Services Agreement dated 28 February 2019 (the "**Management and Services Agreement**"), comprising of the provision by the Company to the Target of sales and marketing services, procurement services, identifying, negotiating and co-ordinating financing facilities and credit lines for the Target, and general administrative services. This was considered mutually beneficial at that time as the Target was looking to improve its profit margin by tapping on the Company's business network and the Company was seeking to leverage on the business network of its Directors and to spread the overhead costs of maintaining a management and administrative team.

2.2 Information on the Target

The Target is a wholesale trading company incorporated in the Republic of Singapore on 1 March 2013, with an issued and paid-up share capital of S$32,000 comprising of 32,000 ordinary shares. The Shareholders of the Target are:

Lin En – 14,400 ordinary shares
Lai Jianling – 11,200 ordinary shares
Lin Xiaomei – 6,400 ordinary shares

The Target trades in wood furniture, building materials, steel products, machinery and equipment and consumer goods like liquor on various sales platforms in markets in South East Asia, other parts of Asia (mainly China), Europe and the United States.

Based on the unaudited annual financial statements of the Target for the financial year ended 28 February 2019 ("**FY2019**"):

(i) the revenue of the Target for FY2019 was S$33,026,001 with a gross margin of S$1,073,286;

(ii) the net profit before tax of the Target for FY2019 was S$1,006,052; and

(iii) the net asset value of the Target as at 28 February 2019 was S$803,452 (after accounting for a one-tier tax exempt dividend of S$385,066).

Based on the unaudited management financial statements of the Target for the financial year ended 29 February 2020 ("**FY2020**"):

(i) the revenue of the Target for FY2020 was S$14,029,119 with a gross margin of S$3,893,794;

(ii) the net profit before tax of the Target for FY2020 was S$897,793.15 (after accounting for a management fee of S$2,104,368 (FY2019: nil) payable to the Company and directors' remuneration of S$280,000 (FY2019: nil)); and

(iii) the net asset value of the Target as at 29 February 2020 was S$879,484 (after accounting for a one-tier tax exempt dividend of S$684,291).

The improvement in the Target's gross margin in FY2020 compared to FY2019 was due to the success of the strategy introduced by the Company for the Target in FY2020 to focus on high margin consumer goods like liquor products and move away from capital intensive and lower margin products.

3. BACKGROUND AND RATIONALE FOR THE PROPOSED ACQUISITION

The Company, together with its subsidiaries (hereinafter collectively referred to as the "**Group**"), was principally engaged in the manufacture and sale of various electrical wires and cables and associated products namely: (i) cables and wires, (ii) copper rods, and (iii) aluminum rods and plastic cable materials. However, with the loss of control over the Group's three China subsidiaries, i.e. Wuxi Hu An Wire and Cable Co., Ltd., Wuxi Shenhuan Electric Co., Ltd., Shenhuan Cable Technology Co., Ltd. (the "**PRC**

Subsidiaries"), which accounted for the major share of the Group's revenue with their own wire and cable production plants in China, the Group's remaining subsidiaries in Singapore had to turn to selling products from third parties' manufacturers and this has greatly affected the remaining business of the Group and diminished the margins.

Investors are urged to refer to the earlier announcements made by the Company for details relating to the PRC Subsidiaries and the Company's former CEO, Dai Zhi Xiang ("**Dai**") on 29 October 2015, 7 March 2016, 7 February 2017, 11 July 2017 (the "**Previous Announcements**") and the update announcement dated the same day as this announcement (the "**Update Announcement**").

The Company was introduced to the Vendors in the course of business networking. The Directors started discussion about business collaboration in late 2018 with the Vendors that eventually lead to the signing of the Management and Services Agreement. By way of the Management and Services Agreement, the Target engaged the Company to be its manager to provide certain management services comprising of the provision by the Company of sales and marketing services, procurement services, identifying, negotiating and co-ordinating financing facilities and credit lines for the Target, and general administrative services. The Company was to be remunerated with a management fee equal to 15% of the gross revenue generated from the trading activities of the Target if the Company is able to help the Target achieve a gross profit margin of 25% and above but otherwise, a management fee equal to 10% of the gross revenue generated from the trading activities of the Target would be payable to the Company. The Management and Services Agreement was meant to be valid for an initial period of three (3) years commencing 1 March 2019 unless terminated by either parties giving to the other a 90 days' written notice for any reason in their respective sole discretion or upon a change of control of the Target.

On a taking of the accounts in March 2020, it was determined that the Target has achieved a gross profit margin above 25% but based on a lowered revenue as compared to FY2019. As a result thereof, the management fee payable to the Company under the terms of the Management and Services Agreement was S$2,104,368 (the "**Management Fee**") based on a sales revenue of approximately S$14,029,119. The gross profit of the Target was S$3,893,794 for FY2020 and the net profit of the Company before tax and before payment of the Company's Management Fee was S$3,002,161.

This resulted in the net profit attributable to the Target's shareholders being S$897,793.15 for FY2020 after payment of the Company's Management Fee, which would be less than the net profit attributable to the Target's shareholders of S$1,006,052 for FY2019, notwithstanding that the Target's gross profit margin for FY2020 has improved to approximately 27.76% compared to the Target's gross profit margin for FY2019 of approximately 3.25%. This resulting share of profits was claimed by the Vendors not to be within their contemplation when they first procured the Target to enter into the Management and Services Agreement with the Company.

With a view to continue the mutually beneficial business collaboration with the Target and the Vendors, the parties entered into negotiation with a view to finding a mechanism for a fairer sharing of the profits from any improvement in the Target's profit margin and to convert the business collaboration between the Company and the Target into a more permanent basis. Following such negotiation, the Vendors and the Directors eventually agreed on the Proposed Acquisition.

The Directors are of the view that the Proposed Acquisition will lock in the Company's involvement in the Target's business and avoid any dispute over the payment of the management fee for FY2019, and allows the Company to participate in the future revenue and profits of the Target as an equity owner. Payment of the Consideration by way of the Consideration Shares instead of cash and the receipt of the management fee for FY2019 would also help strengthen the balance sheet of the Group without negatively impacting its cashflow. This will provide a more stable and permanent base from which the Company is able to obtain a steady revenue stream compared to the Management and Services Agreement, which would allow the Directors to make longer term plans to reinvigorate the Company's business, including any business diversification strategies. The Directors are also of the opinion that the Proposed Acquisition is in the best interests of the Company and its shareholders ("**Shareholders**") as the Target is profitable and will enable the Company to strengthen its balance sheet and stabilize its finances whilst the Directors work on resolving issues relating to the PRC Subsidiaries, reinvigorating the Company's business, lifting the suspension of trading of the Company's shares and raising funds for future growth and development.

The Company will be seeking Shareholders' approval for the Proposed Acquisition and for the diversification of the business of the Company in relation to the Proposed Acquisition at an extraordinary general meeting of the Shareholders to be convened in due course.

Barring any unforeseen circumstances, the Directors are thus of the view that the Proposed Acquisition, if completed, will generate a sustainable revenue stream for the Group and represents a strategic diversification strategy for the Group towards improving its financial performance and position over a longer term.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 The Sale Shares

The Company will acquire 16,320 fully paid-up ordinary shares in the capital of the Target (the "**Sale Shares**") from the Vendors under the terms of the Agreement, representing 51% of the issued and paid-up capital of the Target, free from all encumbrances and together with all rights attaching thereto. Following the completion of the Proposed Acquisition ("**Completion**"), the Target will become a 51% owned subsidiary of the Company.

4.2 Consideration

The aggregate consideration for the Sale Shares amounted to S$1,700,000 (the "**Consideration**"), and was arrived at following arm's length negotiations, on a willing buyer willing seller basis, against the background of the Proposed Acquisition as disclosed in paragraph 2 above. This took into account the amount of management fee that was finally agreed as payable by the Target to the Company, the net profit of the Target for FY2020 before adjusting for payment of the management fee to the Company, the mode of payment of the Consideration by way of the Consideration Shares, the subsisting trading suspension of the Company's shares, the issue price of the Consideration Shares being fixed at S$0.009 per Consideration Shares being the last traded market price of the Company's shares immediately prior to the suspension of trading of the Company's shares, the benefits arising from the parties' business collaboration under the Management and Services Agreement and the need to find an equitable and sustainable formula for sharing the benefits that could arise from the parties' continuing business collaboration.

Under the terms of the Agreement, the Consideration shall be paid by the Company to the Vendors by the issuance and allotment of the Consideration Shares to the Vendors, or to The Central Depository (Pte) Ltd ("**CDP**") for the securities accounts of the Vendors or the securities accounts of such depository agents registered with the CDP as may be notified by the Vendors to the Company three (3) business days prior to the completion date.

As the Consideration will be paid by way of the issuance and allotment of the Consideration Shares, there is no necessity for the Company to tap into any internal resources or to have recourse to external funding for completing the Proposed Acquisition.

4.3 Conditions Precedent and Completion

Under the terms of the Agreement, completion of the Proposed Acquisition ("**Completion**") is conditional upon, *inter alia*, the following conditions being satisfied on or before the Completion date ("**Conditions Precedent**"):

(a) the Company being satisfied in its sole discretion with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out on the Target by the Company and/or its advisers including, without limitation, the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure, its subsidiaries and associated companies and the Vendors procuring the Target to regularise and/or resolve any issues raised under the said due diligence;

(b) all necessary requirements under the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Rules (the "**Listing Rules**") and all necessary consents or approvals (if any) being granted by the Company's shareholders, third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the Proposed Acquisition, the issuance of the Consideration Shares or the transactions contemplated under the Agreement (including without limitation, the consent or approval of the SGX-ST or the Shareholders (as applicable and where required) and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions are fulfilled before Completion, such consents or approvals not being revoked or repealed on or before Completion;

(c) the provision of any documents which may be required for the Company, whether from the Vendors or otherwise, to comply with the Listing Rules, applicable laws and regulations, or any other requirements from the relevant governmental or regulatory bodies or competent authorities;

(d) no government authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statue, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:

(i) made the transactions contemplated in the Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;

(ii) render the Company unable to purchase all or any of the Sale Shares in the manner set out in the Agreement; and/or

(iii) render the Vendors unable to dispose of all or any of their Sale Shares in the manner set out in the Agreement;

(e) in-principle approval for the listing and quotation of the Consideration Shares being received from SGX-ST for the dealing in, listing of and quotation of the Consideration Shares on the Mainboard of SGX-ST and where such listing and quotation approval is obtained subject to such conditions, such conditions being reasonably acceptable to the Vendors and the Company as confirmed by the parties;

(f) the appointment of such directors nominated by the Company to form part of the Target's board of directors;

(g) save as disclosed in the Vendors' disclosure letter, each of the Warranties (as defined in the Agreement) set out in the Agreement being complied with, true, complete, accurate and correct in all material respects to the best knowledge and belief of the Vendors and the Company as at the date of the Agreement and until the date of the Completion.

Completion of the Proposed Acquisition will take place not later than seven (7) business days after all the Conditions Precedent are fulfilled (or if not fulfilled, are waived by the relevant party) in accordance with the Agreement.

If the Conditions Precedent have not been fulfilled or waived by mutual consent of the parties by 30 November 2020 or such date as the parties may agree in writing (the "**Long-Stop Date**"), the Agreement shall lapse and cease to have effect, save for certain provisions which by their nature survive termination of the Agreement.

The Management and Services Agreement is expected to be terminated upon Completion with the Company's expected benefits from participating in the management of the Target to be derived from its equity participation in the Target instead of through the Management and Services Agreement.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING RULES

Based on the latest audited financial statements of the Group for the full year ended 31 December 2014 ("**FY2014**"), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Rules are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value(1). This basis is not applicable to an acquisition of assets.	Not applicable
(b)	The net profits (2) attributable to the assets to be acquired or disposed of, compared with the Group's net profits.	Not meaningful
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares. on 10 December 2018, being the last market day preceding the date of the Preliminary SPA.(3)	18.67%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.(4)	18.67%
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, SGX-ST may permit valuations to be used instead of volume or amount.	Not Applicable

Notes:

(1) *Under Rule 1002(3)(a), "net assets" means total assets less total liabilities. Not applicable as this is Proposed Acquisition.*

(2) *Under Rule 1002(3)(b), "net profits" means profit or loss including discontinued operations that have not been disposed and before before income tax and non-controlling interests. For the last audited full financial year, the Group's net loss before income tax was approximately RM185,095,000 for FY2014. For the last announced unaudited 9 months ended 30 September 2015, the Group's net loss before income tax was approximately RM1,122,333,000 for 9M2015. Based on the latest unaudited management accounts of the Target, the net profit before tax attributable to the Target is approximately S$897,793 for the latest financial period ended 28 February 2020.*

(3) *This represents the adjusted Consideration of S$1,643,333.33 as a percentage of the Company's market capitalisation of S$8,800,657 on 10 December 2018, being the last market day preceding the date of the Agreement. Under Rule 1002(5), "market capitalisation" is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding to the date of the Agreement. Trading of the Company's shares was suspended after 10 December 2018. The weighted average market price of the Company's shares was S$0.0087 per share on 10 December 2018. As the Consideration is to be wholly satisfied through the issuance and allotment of shares in the Company, the value of the Consideration is to be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher under Rule 1003(3). The market value of the shares is S$0.0087 per share based on the weighted average price of the Company's shares on 10 December 2018, being the last market day preceding the date of the Agreement. Although the net asset value per share based on the latest announced consolidated accounts announced on 14 November 2015 is*

approximately RMB0.0517 per share (or S$0.01037 per share using an exchange rate of S$1=RMB4.98772) as of 30 September 2015, but taking into account the Previous Announcements and the Update Announcement the net asset value per share as of 4 May 2020 is not expected to be higher than S$0.0087 per share.

(4) *For the satisfaction of the Consideration, the Consideration Shares comprising of 188,888,889 ordinary shares in the Company will be issued and alloted to the Vendors. The 188,888,889 Consideration Shares represents a 18.67% stake in the Company's total number of shares in issue, being 1,011,569,800 ordinary shares.*

As the relative figures computed on the basis set out in Rule 1006(c) do not exceed 20%, the Proposed Acquisition constitutes a "Discloseable Transaction" as defined under Chapter 10 of the Listing Rules. However, as the Directors require the approval of the Shareholders for the issuance of the Consideration Shares, the Proposed Acquisition and the issuance of the Consideration Shares will be subject to the approval by Shareholders in a general meeting.

For the avoidance of doubt, the Company will also be seeking Shareholders' approval at an extraordinary general meeting to be convened in due course for the business diversification, including in connection with the Proposed Acquisition.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Assumptions

The unaudited pro forma financial effects of the Proposed Acquisition on the Group as set out below are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group after the completion of the Proposed Acquisition.

The unaudited *pro forma* financial effects of the Proposed Acquisition set out below have been prepared based on the latest audited consolidated financial statements of the Group for FY2014, the unaudited financial statements of the Target for FY2020, as well as the following bases and key assumptions:

(a) the financial effects on the consolidated net tangible assets ("**NTA**") per Share are computed based on the assumption that the Proposed Acquisition was completed on 31 December 2014;

(b) the financial effects on the consolidated loss per Share ("**LPS**") are computed based on the assumption that the Proposed Acquisition was completed on 1 January 2014;

(c) the fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered for the purpose of computing the financial effects of the Proposed Acquisition and will be determined on the date of completion of the Proposed Acquisition; any goodwill or negative goodwill arising from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Group;

(d) the Management Fee is added back to the unaudited financial statements of the Target for FY2020 as if the Management and Services Agreement has not been entered into;

(e) an exchange rate of S$1 = RMB4.9972 was used to convert the figures in the unaudited financial statements of the Target for FY2020 from S$ to RMB.

6.2 NTA per Share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RMB)	1,147,951,000	1,155,541,136
Number of Shares	1,011,569,800	1,200,458,689
NTA per Share (RMB)	1.13	0.96

6.3 LPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Net loss attributable to Shareholders (RMB)	(161,605,000)	(153,968,291)
Weighted average number of Shares	1,011,569,800	1,200,458,689
LPS (RMB)	(0.16)	(0.13)

7. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as Directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed Acquisition.

8. DOCUMENT FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company at 61 Mcnair Road, Townerville, Singaopre 328544 for three (3) months from the date of this announcement.

9. CIRCULAR TO SHAREHOLDERS

A circular setting out further information on, amongst others, the Proposed Acquisition and the change in the nature of the business and risk profile of the Company arising from the Proposed Acquisition will be despatched to the Shareholders in due course together with the notice to convene the extraordinary general meeting. The Company will make further announcements relating to the Proposed Acquisition as and when necessary.

10. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

There are no service contracts to be entered into at Completion as the management team of the Target will be kept to continue to manage the business and affairs of the Target.

Accordingly, no service contract is proposed to be entered into between the Company and any person.

11. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in trading the shares of the Company. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their stock brokers, bank managers, solicitors or other professional advisors.

12. RESPONSIBILITY STATEMENT

The Directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate, and that there are no material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement.

By Order of the Board

Gao Hong
Executive Chairman
13 May 2020