

**TERM SHEET AGREEMENT BETWEEN HEITECH PADU BERHAD AND REGAL ORION SDN. BHD.
FOR THE DESIGN, ENGINEERING, PROCUREMENT, CONSTRUCTION, INSTALLATION AND
COMMISSIONING OF DATA CENTRE UNDER LOT PT 29470 AND PT 29471, 71760 BANDAR
TECHPARK@ENSTEK, LABU, SEREMBAN, NEGERI SEMBILAN**

1. Introduction

HeiTech Padu Berhad (“HeiTech” or “the Company”) wishes to announce that the Company has on 16 August 2021 entered into a Term Sheet Agreement (“TSA”) with Regal Orion Sdn. Bhd. (“RO”) (collectively referred to as the “Parties” and each as a “Party”) for the design, engineering, procurement, construction, installation and commissioning (“DEPCIC”) of data centre under Lot PT 29470 and PT 29471, 71760 Bandar Techpark@Enstek, Labu, Seremban, Negeri Sembilan.

The Parties wish to enter into a DEPCIC agreement for the design, engineering, procurement, construction, installation and commissioning of RO’s Facility (“the DEPCIC Agreement”) and are entering into this TSA to commence the process of negotiating the DEPCIC Agreement and to set out various terms that have been agreed between the Parties to be included in the DEPCIC Agreement.

In accordance to Paragraph 10.02(k) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”), the TSA is not a related party transaction.

In reference to the earlier announcements, “Fund Raising” HeiTech proposed placement of 10,000,000 new ordinary shares in HeiTech to RO at the issue price to be determined later (“Proposed Placement”) dated 24 June 2021, 30 June 2021, 12 July 2021 and 21 July 2021, is yet to be completed.

Upon completion of the Proposed Placement and subsequent execution of the DEPCIC Agreement (in relation to the TSA), that the DEPCIC Agreement shall be deemed as a related party transaction pursuant to Paragraph 10.08 of the Bursa Securities Listing Requirements and will require all necessary approvals.

2. Information on RO

RO is a company incorporated in Malaysia on 19 October 2017 owned by Japanese IT specialists investors and having its registered office at 31-A Jalan Jernai 2, Medan Idaman Business Centre, 53100 Kuala Lumpur and business address at 1st Floor, Menara JKG, No. 282, Jalan Raja Laut, 50350 Kuala Lumpur.

The principal activities of RO are the involvement in engineering, construction and project management specifically in the data centre development sector and activities ancillary

thereto. RO bought over a data centre project located at Techpark @ Enstek, Labu, Seremban, Negeri Sembilan, Malaysia on “as-is where-is” basis from KPMG acting as receiver & manager for Affin Bank Berhad on 2 March 2018.

Upon taking over, RO engaged award winning international consultants and contractors to re-design and upgrade the facility. This is aimed at turning the facility into a world premium Tier IV next generation green mega data center facilities which shall have a total of 120,000 square feet of Net Hosting Space area with a total of 4,064 racks available for rent upon completion.

3. Salient Terms of the TSA

Salient terms of the TSA are as follows:

- i. RO intends to develop and operate a data centre in Malaysia (“the Project”). For such purpose, RO had, on 2 March 2018, purchased a piece of land held under Lot PT 29470 and PT 29471, 71760 Bandar Techpark@Enstek, Mukim Labu, Daerah Seremban, Negeri Sembilan Darul Khusus, Malaysia (“the said Land”) together with a partly completed building erected thereon meant for the operation of a data centre, on an “as-is-where-is” basis (“the Building”) (the said Land and the Building shall collectively be referred to as “RO’s Facility”).
- ii. The settlement of the balance purchase price for the purchase of RO’s Facility (“the Balance Purchase Price”) to KPMG Deal Advisory Sdn Bhd, in their capacity as Receivers and Manager, is pending. Consequently, the transfer of the issue document of title to the said Land to RO (“the Transfer of Title”) is also pending.
- iii. RO now wishes to procure the services of HeiTech to provide DEPCIC services in respect of the Project and the completion of RO’s Facility into a fully operational data centre.
- iv. The Parties wish to enter into a DEPCIC agreement for the design, engineering, procurement, construction, installation and commissioning of RO’s Facility (“the DEPCIC Agreement”) and are entering into this TSA to commence the process of negotiating the DEPCIC Agreement and to set out various terms that have been agreed between the Parties to be included in the DEPCIC Agreement.
- v. Notwithstanding any other term in this TSA, both Parties hereby agree that:
 - a. the key commercial and legal terms and principles contained in Schedule 1 to this TSA are intended to be developed into the fully termed DEPCIC Agreement; and
 - b. they will negotiate in good faith and use their best endeavours to agree upon all matters necessary in order to execute the DEPCIC Agreement by no later than one hundred twenty (120) days from the date of this TSA (or such later date as may be mutually agreed by the Parties) (the “Longstop Date”).

- vi. As soon as may be reasonably practical from the date of this TSA, HeiTech shall, with the full cooperation of RO, attend to all that may be necessary for the purpose of conducting any appropriate due diligence and feasibility studies in such manner deem appropriate in respect of the Project including the said Land upon which the RO's Facility is to be constructed. For the avoidance of doubt, the feasibility studies shall include but not limited to legal, technical, commercial and financial viabilities.
- vii. Save and except as those events of termination as stated in termination clause below, if the DEPCIC Agreement is not signed by the Longstop Date and such failure to complete is due primarily to any act, omission or default by RO (including, but not limited to, a breach of any of RO's obligations in this TSA), RO shall reimburse to HeiTech such reasonable costs and expenses necessary to compensate for HeiTech's expenditure of time and expense to conclude the DEPCIC Agreement, including but not limited to cost, fees and disbursements of HeiTech's personnel and advisers incurred after the date of this TSA in connection with the arrangements contemplated in this TSA.
- viii. The Contract Price shall be a lump sum amount of RM350,000,000 only which shall be paid subject to any adjustments as set out in the DEPCIC Agreement principally comprised of:

Stage	Contract Price
1	RM350,000,000
Total	RM350,000,000

Should there be any variation to the agreed design or deliverables during the progress of the works then HeiTech will be paid monies for this work in addition to the contract price and granted an extension of time with costs.

- xi. The Contract Price for Scope A and Scope B Works is payable by RO to HeiTech in accordance with the following payment schedule:

Stage 1: Contracted Sum RM350,000,000		
1	Upon signing of Term Sheet (“Mobilization Deposit”)	Nil
2	Completion, Compliance & Commissioning (“CCC”) of Stage 1 of RO’s Facility This payment will be guaranteed by a reputable financial institution bank guarantee acceptable to HeiTech (95%)	RM332,500,000
3	Upon Commencement of the 12 month defect liability, in lieu of the 5% retention, HeiTech can opt to provide a retention bond equivalent to 5% of the contract sum for the 12 month defect liability period	RM17,500,000
	Total	RM350,000,000

The key commercial and legal terms and principles contained in Schedule 1 to this TSA are set out in Appendix 1 of this announcement.

4. Conditions Precedent in the TSA

The obligations of HeiTech to commence or otherwise carry out the works under the DEPCIC Agreement shall be subject to the fulfillment of the following conditions precedent:

- a. HeiTech having received a Letter of Offer from UOB for the HeiTech Financing Facility, with the terms and conditions thereof duly accepted by HeiTech;
- b. RO having received a Letter of Offer from UOB for RO Financing Facility;
- c. HeiTech having received an irrevocable, unconditional and on-demand Bank Guarantee from a reputable financial institution acceptable to HeiTech for RM350,000,000; and
- d. the HeiTech Financing Facility has been duly disbursed to HeiTech.
- e. all written consent and approvals from any interested party including security party(ies) with interest on the land or assets where RO’s Facility are to be constructed shall have been duly obtained to the satisfaction of HeiTech; and
- f. completion of all legal due diligence to the effect that there are no judgments, orders or pending legal proceedings or claims against either of the Parties or their assets which may affect in any way their solvency or the title to the land upon which RO’s Facilities will be constructed.

5. Duration and Termination

The TSA is effective from the date of the TSA and is valid until termination.

This TSA shall terminate on the earliest to occur of the following:

- a. execution by the Parties of the DEPCIC Agreement;
- b. agreement of the Parties in writing to terminate this Term Sheet;
- c. the date falling six (6) months after the Longstop Date;
- d. if, within the Longstop Date, RO's financier/banker does not approve the financing for the Project and/or RO's Facility;
- e. if, within the Longstop Date, RO is unable to secure a Bank Guarantee ("BG") in favour of HeiTech as security for the payment by RO to HeiTech of the Contract Price; or
- f. if HeiTech is unable to accept the terms and conditions of the BGG issued by RO's financier/banker; or
- g. if, within the Longstop Date, the Parties herewith are unable to agree on the definitive terms and conditions of the DEPCIC Contract or any additional terms and conditions considered necessary and required by RO's financier.

And upon the occurrence of any of the above condition(s), the TSA shall be considered null and void and the Parties shall bear their own costs in respect of any works carried out in respect of this TSA. It is further agreed that any term or accrued right that is expressly or impliedly intended to survive the termination of this TSA shall remain in full force and effect regardless of any termination of this TSA.

6. Rationale for the TSA

The TSA is in line with HeiTech's overall corporate strategy to gain new business from both existing and new markets. The Group is confident that it will continue to be relevant and remain as one the nation's major player for IT services.

7. Risks Factor

Save for the normal business risk, the Board of Directors of HeiTech is not aware of any other risk factors which arise as a result of the TSA.

8. Financial Effects of the TSA

This TSA is not expected to have any material effect on the earnings per share, net assets per share, share capital and substantial shareholders' shareholding of the Company for the financial year ending 31 December 2021.

The execution and successful completion of the DEPCIC Agreement (in relation to the TSA) will contribute positively to the future revenue and earnings of the Group in subsequent financial years.

9. Highest Percentage Ratio

The highest percentage ratio applicable to the TSA to Paragraph 10.02(g) of the Listing Requirements is 285.47%, computed based on the estimated Contract Price against the NA of HeiTech based on the audited consolidated financial statements of HeiTech for the FYE 31 December 2020.

10. Approvals Required

The TSA is not conditional upon any other proposals undertaken or to be undertaken by the Company.

Upon execution of the DEPCIC Agreement (in relation to the TSA), the DEPCIC Agreement is subject to the approval and/or consents being obtained from the following:

- a. The shareholders' approval of the Company for the DEPCIC Agreement at a general meeting to be convened upon completion of the Proposed Placement; and
- b. Approvals from any other relevant regulatory authorities, if required.

11. Directors' and Major Shareholders' Interest

Except as disclosed below, none of the directors, major shareholders of the Company and persons connected to them have any interest direct and/or indirect in the TSA.

Referring to the Proposed Placement which is yet to be completed, upon completion, RO will be a major shareholder of HeiTech, a 9.0% direct shareholding in HeiTech.

12. Directors' Statement

The Board, having considered all aspects of the TSA, is of the opinion that the TSA is in the best interest of the Company.

13. Documents Available for Inspection

The TSA will be made available for inspection at the registered office of HeiTech located at Level 15 HeiTech Village, Persiaran Kewajipan, USJ 1 UEP Subang Jaya, 47600 Subang Jaya, Selangor Darul Ehsan for a period of three (3) months from the date of this announcement.

This announcement is dated 16 August 2021.