

## TERM SHEET

This Term Sheet is made on [date], between HKBAN Limited located at [address], and TechVenture Limited located at [address], and outlines the principal terms of a proposed investment between the parties. With the exception of the Part B of this agreement relating to expenses, exclusivity, confidentiality and expiration, this term sheet is for discussion purposes only and not a legally binding document. The proposed investment is subject to the completion of an investment agreement, the satisfactory of due diligence, a business plan agreed by Investor, and other conditions that may be specified by Investor in future.

### PART A: INVESTMENT TERMS (non-binding)

**Issuer:** TechVenture Limited (“Company”)

**Investor:** HKBAN Limited

**Pre-money Valuation:** HKD 45,000,000

**Investment Amount:** HKD 5,000,000

**Post-money Valuation:** HKD 50,000,000

**Number of Shares:** 100,000, representing 10% of fully diluted issued capital

**Type of Share:** Ordinary Shares

**Price Per Share:** HKD 50

**Anticipated Closing Date:** The earlier of [Date] or on signing of a legally binding agreement.

**Founders:** Mr. Founder One and Mr. Founder Two

**Business:** The business of the Company relating to developing proprietary technology for high definition images for the usage of artificial intelligent based expression identification and comparison.

**Dividend:** Ordinary shares issued in this Term Sheet rank pari passu in any dividend on the ordinary shares that has been declared but not yet paid.

**Use of Proceed:** The Investment Amount will be used for

- a) Purchase of equipment \$2.0 million
- b) Marketing \$1.8 million
- c) Working capital & administration \$1.2 million

## **Pre-Emptive and**

### **Anti-Dilution Rights:**

The investor will be given the right of first refusal to subscribe any new issues or any equity-linked instruments of the Company on pro-rata to his percentage holdings immediate prior to the new issue at the same subscription price, terms and conditions.

Notwithstanding the provisions set forth above, no preemptive rights will apply to (i) share options grants to consultants, employees, Board advisors, or directors under the Reserved Shares Section of this Term Sheet or other arrangements approved by the Board; or (ii) the issuance of instruments in connection with business acquisition approved by the Board. These rights will terminate at the Company's IPO in a stock exchange acceptable by the Investor.

### **Co-Sale Right**

The Investor will have a co-sale right by which the Investor has the right to tag along and sell the shares with the Founder, should the Founder transfer the shares. The Investor will have 30 calendar days to exercise the co-sale right. The Investor has the right to sell the shares, in pro rata, at the same price as the shareholders' selling price.

### **Sale Restriction on Founders' Shares**

Any sale of shares by current Founders to any parties required Investor's written consents. Investor will have the right of first refusal to purchase the shares at the same terms offered by the vendors.

### **Protective Provisions:**

Notification (or Approval) to the Investor is required for any of the following in relation to the Company:

1. issues of equity, options or any instruments convertible to equity (other than issues already specified in the Investment Agreement);
2. any major transaction or transition involving the disposal of a material proportion of the Company's assets;
3. any transaction or arrangement likely to have the effect of the Company acquiring rights or interest or incurring obligations or liabilities not specifically identified in the Agreed Business Plan or approved by the Board of Directors, the value of which is greater than HKD 3,000,000;
4. any other material departure from the Agreed Business Plan;
5. any investment, borrowings, guarantees, indemnities or other contingent commitments of the value greater than HKD 5,000,000;

6. any change in the number of Directors;
7. appointment of removal of the key personnel; or
8. approval of subsequent budgets and business plans or any material amendments to or departures from the Agreed Business Plan;

**Conditions Precedent:**

1. Agreement to a business plan which comprises technological and commercialization milestones (the “Agreed Business Plan”).
2. Due diligence being completed to the satisfaction of the Investor.
3. Employment contracts between the Company and key employees.
4. Completion of the subscription agreements and all existing holders of shares or options in the Company.
5. Final approval of Investor's Board of Directors.

**Information Rights:**

Investor will receive regular monthly financial reports and business activity reports within 20 working days from the end of each month. Investor will also receive annual audited financial reports from the company within 3 calendar months from the end of the financial year and will have a right to talk to the auditors directly on a private and confidential basis. These information rights will be valid until the Company's IPO in a stock exchange acceptable by the Investor or change of control.

**Warranties:**

To the best of its belief and knowledge, the Company warrants:

1. all intellectual property and other rights necessary to pursue the Business are the full legal, beneficial and unencumbered property of the Company;
2. the Company do not incur actual or contingent liabilities not specified in the financial statements provided to the Investor and such statements provide a true and fair view of the Company's financial position; and
3. all other information that is significant or material to this transaction, provided to the Investor is true, accurate, and complete.

**Shareholding Structure:**

	Post-Investment Structure		
	Shares*	Price per Share (HKD)	Amount (HKD)
Founder One	550,000	\$1	\$500,000
Founder Two	100,000	\$1	\$100,000
Mr. Partner	100,000	\$10	\$1,000,000
HKBAN Ltd	100,000	\$50	\$5,000,000
Reserved Shares	150,000	\$8	\$1,200,000
<b>Total Share</b>	<b>1,000,000</b>		

**Reserved Shares:** A reserved share pool has been established with 150,000 available shares, representing a maximum of 15% of the fully-diluted shares outstanding, to reward current key employees, non-executive directors, vendors, consultants, advisors, partners, and value adding parties for outstanding performance and to attract additional management, in the form of share option, as needed. The option, with a vesting period between 2 and 10 years, can be exercised at the above said price until 2016. The exercise price could be adjusted by the Board of Directors after 2016.

**Disbursement of Investment**

**Amount:** The Investment Amount will be subscribed for Shares in one sum in an Escrow account within 30 calendar days of the Anticipated Closing Date.

**Board:** The Board will initially consist of four members:  
 Chairperson / Director - Mr. Founder One  
 Investor's representative – Mr. ABC  
 Shareholders' representative - Mr. Founder Two  
 Independent Non Executive Director – Mr. XYZ

The Board will meet at least [semi-annually or quarterly]. The Independent Board member will be paid not more than HKD [5,000] per month. Other members of the Board meetings will not be remunerated.

## **PART B: LEGALLY BINDING TERMS**

**Expenses:** Counsel of the Company will draft closing documents. Investor agrees to pay half of the legal and administrative costs of the financing at Closing, including reasonable fees not to exceed HKD100,000 of the Company's counsel, unless the transaction is not completed because the Company withdraws from this transaction without reasonable cause.

**Exclusivity:** The Company agrees to give Investor exclusively to complete due diligence, fund and close until [date]. The Company's obligation is conditioned upon the terms being consistent with those outlined in this Term Sheet. Investor agrees to notify the Company at the earliest date at which it determines it is not prepared or is unable to complete the transaction.

**Confidentiality:** Both parties agree to keep the contents of this Term Sheet and its supplementary information including but not limited to attachments and appendices confidential. Such information can only be disclosed by the parties to their shareholders, directors, advisors and consultants or other person(s) on a need-to-know basis.

**Expiration:** This Term Sheet expires on [Date] or another date acceptable by both parties in writing.

### **Investor's**

**Representative:** Mr. ABC represents the HKBAN Limited. He has authority to bind the HKBAN Limited in respect of all matters relating to the Investment.

The parties respectively acknowledge the intended investment terms described in Part A and agree to be bound by the terms in Part B.

**SIGNED for and on behalf of the Investor:**

Name: .....ABC.....

Signature: .....

**SIGNED for and on behalf of the Company:**

Name: .....

Signature: .....

**Witnesses:**

Name: .....

Name: .....

Signature: .....

Signature: .....