



August 23, 2018

Dear Sirs,

Name of the Company:	Beat Holdings Limited (URL: https://beatholdings.com/)
Representative:	Chief Executive Officer, Lian Yih Hann (TSE Second Section Code Number : 9399)
Inquiries to:	Corporate Development and Planning Division Manager, Yuta Takayama (TEL: Tokyo 03-4570-0741)

**Execution of the Memorandum of Understanding Concerning
Issuance of Stock Acquisition Rights by Third Party Allotment**

Today the Company (or “Beat”) announces that the board of Beat (“Board”) resolved and approved to execute the memorandum of understanding (“MOU”) with Macquarie Bank Limited (“Macquarie”) regarding issuance of stock acquisition rights (“SARs”) of the Company to Macquarie by third party allotment (“Third Party Allotment”) as stated below.

The Third Party Allotment will take place only if it is approved by shareholders at EGM (defined below), and the Company will make a separate press release concerning the Third Party Allotment when the Board makes a resolution of the issuance of the SARs and executes a purchase agreement with Macquarie after the Third Party Allotment is approved by shareholders at EGM.

The Company considers that the Third Party Allotment is an alternative plan in case both of the Noah Ark Technologies Limited's (“Noah”) shareholder proposal concerning capital and business alliance with Noah (“Noah Proposal”) and the Company's proposal concerning capital and business alliance with Wowoo Pte. Ltd (“Wowoo”) (“Wowoo Proposal”) are not approved by shareholders.

Therefore, implementation of the Third Party Allotment is on the condition that (a) both of the Noah Proposal and Wowoo Proposal are not approved by shareholders at the coming Extraordinary General Meeting of Shareholders (“EGM”) being proposed by Noah, Mr. Rafael Reyes, Ms. Tugbo Flora Sampaga, Mr. Mendoza Guido Castillo, Mr. Antiola Gil Arnaiz and Mr. Tariman Lemuell Sampagan and (b) the Third Party Allotment is approved by shareholders at EGM.

In case either of Noah Proposal or Wowoo Proposal is passed, this Third Party Allotment would not be implemented. At the EGM, as we will resolve Noah Proposal first, and as a result only in case Noah Proposal had not been approved, we will resolve Wowoo Proposal, and as a result only in case Wowoo Proposal had not been approved, we will resolve this Third Party Allotment, therefore there would be no case that more than one of the above to be approved and implemented.

For details of Noah Proposal, please refer to our press release “Request from Shareholders to Hold Extraordinary General Meeting of Shareholders” dated June 8, 2018, “Follow-up 3 Request from Shareholders to Hold EGM” dated July 25, 2018 and “Follow-up 4 Request from Shareholders to Hold EGM” dated August 8, 2018, and for details of Wowoo Proposal, please refer to our press release



“Capital and Business Alliance with Wowoo Pte. Ltd.” dated July 10, 2018 respectively.

1. Position of this Third Party Allotment

The Company positions crypto messenger & wallet (“Crypto Messenger & Wallet”) services and ecosystem based on blockchain technology to collect, manage and utilize information in the area of health and medical care (“Universal Health Blockchain Ecosystem”) service as one of the Group’s core business in the future, and development and implementation of such business are the most important target in the Group’s business plan.

Capital and business alliance with Noah and capital and business alliance with Wowoo provide funds and business alliance for development of Crypto Messenger & Wallet service and Universal Health Blockchain Ecosystem. However, in case neither of the proposals could obtain shareholders’ approval, the Company has to proceed with development mentioned above by itself for a while, without having business alliance partner, and needs to raise fund for such. Therefore, the Company had been looking for other source of fund raising to develop the new business by itself in case Noah Proposal and Wowoo Proposal are not approved by shareholders, and we recently received the proposal from Macquarie regarding issuing SARs to Macquarie by third party allotment. Thereafter the Company discussed and negotiated with and reached agreement with Macquarie and decided to execute the MOU. As mentioned above, unlike Noah Proposal and Wowoo Proposal, this proposal is only for fund raising without business alliance, and the Company positions this proposal as a alternative plan in case none of such business alliances could obtain shareholders’ approval.

2. Objective of this Third Party Allotment

Currently, the Group has started to develop Crypto Messenger & Wallet services and Universal Health Blockchain Ecosystem as stated in “Business Plan” below, and in case this Third Party Allotment has been implemented after obtaining approval from our shareholders, we are expecting to use the fund for developing such businesses.

Business Plan

The Company targets to become the leading company in the world providing services using blockchain technology (for example, messenger and wallet services using crypto functions or operation of ecosystem and others), by leveraging on the Group’s resources such as intellectual properties as licensed 2 patents regarding database information processing system to collect and visualize biological information (such as heart rate variability) and database construction method to be used in such information system. In particular, one patent is a basic technology for avatarizing a user’s current and past states such as physical conditions, emotions, etc..., which are presumed based on heart rate variability and other biographic information, and applications to various fields such as preventive medicine, games and social media can be expected. The other patent is related to a technology of collecting, as big data, the heart rate variability and other biographic information from many users to thereby construct a database to be used in such information system (for details of patent license, please refer to our press release “Grant of License to the Subsidiary of the Company” dated June 4, 2018). The Group also has personnel with expertise in the areas of mobile application (“APP”) development, messaging, data analytics, artificial intelligence, blockchain, fitness wearables and health coaching in the Group’s existing Messaging and Healthcare business and others to create value for shareholders, and to be well positioned for the next 10 years of growth. The Company will achieve this by a 2-prong strategy: (i) develop and operate a Crypto Messenger & Wallet, and (ii) develop a Universal Health



Blockchain Ecosystem¹ for supporting the Initial Coin Offerings (“ICOs”) of other parties. We target to raise USD45 million (JPY4,995 million) fund for these new business, USD30 million (JPY3,330 million) for Crypto Messenger & Wallet and USD15 million (JPY1,665 million) for Universal Health Blockchain Ecosystem. The balance of fund the Company raised from exercise of stock acquisition rights issued in the past is USD5 million (JPY555 million) as of July 31, 2018. The Company is expecting to use such fund for the Company’s working capital and not for the business mentioned above.

a. Crypto Messenger & Wallet

Nowadays, individuals increasingly values security and privacy. Recent security breaches in Facebook had increased skepticism on the privacy of using existing messenger APPs. This gives rise to opportunities for messengers with new business models.

APPs that provide end-to-end encryption for messages with features like auto-deletion of messages like Telegram gained popularity. Anonymous messenger APPs like Safeswiss that do not require an email or mobile phone number to sign up are also gaining popularity.

The Company intends to leverage on the InphoMessenger² product of its subsidiary, GINSMS Inc., to develop what we believe to be the world’s 1st crypto-messenger with high security and a built-in crypto wallet after conducting a detailed functionality study of the existing messenger products in the market that can be used in e-commerce, which also act as an effective platform with the function of community management³ for ICOs. InphoMessenger currently supports iOS and Android and allows users to send messages to each other. InphoMessenger’s functionalities will be extended to support:

- end-to-end encryption of messages;
- encrypted voice calls;
- crypto-currency wallet functionalities;
- community functions; and
- blockchain compliant.

The Crypto-Messenger & Wallet will be a central service where crypto-currencies are stored and commerce transacting in crypt-currencies are conducted. It will be connected to crypto exchanges and e-commerce services and allows transactions to be conducted in crypto-currencies. Third parties who want to conduct ICOs and/or manage their community of users and supporters could also leverage on

1 Upon ICO, crypto currencies or tokens issued under ICO are used by holders (individuals and others) of such tokens and others, therefore it is important to set a community to record data and others provided by users. In the community, supporters (corporations and others) using such data and others from other users, participates as well, and these related parties organizes a kind of economic zone (ecosystem) and high securities would be required to record such data and token which has exchangeable value. The Company is expecting to create an economic zone (Universal Health Blockchain Ecosystem) as a community which could record users’ healthcare data and communicate with supporters, by utilizing healthcare data stored through the Group’s wearable devices and blockchain technology, and support third party’s ICO by preparing an environment for third parties to issue token under such ecosystem.

2 InphoMessenger is an online messaging APP that supports iOS and Android and allows sending of unencrypted text messages, photos and documents between individual users or users within a group. It also has a “Channels” concept that allows users to create their own “Channel” with the ability to have followers subscribed to the “Channel” and be updated of posts within the “Channel”.

3 As mentioned above, upon ICO, for users (individuals and others) use/exchange crypto currencies or tokens issued or exchange data through token and for supporters (corporations and others) participate, the existence of community through token (a kind of economic zone (ecosystem)) is important and high securities would be required to record such data and token which has exchangeable value. Crypto messenger function enables to send/manage records related to various data and token in such community under high security, and through management/operation of this function, the Company thinks the Group would be able to manage all data processing/transmission (community management function managed by the Group).



the community functions of the Crypto-Messenger & Wallet. A one-stop seamless Wallet service would also be provided to parties who require secure technology to store the tokens/coins issued in their ICOs. Revenue will be generated via transaction fees for the transfer of crypto currencies within the wallet and advertising fees for the use of the community management functions.

To develop this Crypto Messenger & Wallet business, we expect the funding requirement to be USD30 million (JPY3,330 million) until the end of 2019, which includes USD4.5 million (JPY500 million) for research and development, USD2.3 million (JPY255 million) for operations, USD1.1 million (JPY122 million) for business development, USD2.5 million (JPY278 million) for legal and compliance, USD8.6 million (JPY955 million) for marketing and USD11.0 million (JPY1,221 million) for working capital. The working capital is to fund commission to be paid to service and marketing partners that introduce business transactions to our platform and also to provide bridging for accounts receivables from partners like crypto-exchanges and e-commerce sites.

b. Universal Health Blockchain Ecosystem

Our Group has intellectual properties, hardware, software and domain expertise in fitness data and programmes that we can leverage to build a large scale Universal Health Blockchain Ecosystem.

- We sold more than 400,000 fitness wearables for the nationwide programme of the government of Singapore to encourage citizens to exercise called the “National Steps Challenge” (around 1 million citizens of Singapore participated), and undertook the mobile APP development work on the Healthy365 APP for such programme.
- We have strong intellectual properties protection with license of 2 patents as mentioned above that covers the correlation⁴ of heart rate variability (HRV) with mental and physical conditions and also the representation of such data and correlations in a database.
- We have strong partnerships with Firstbeat Technologies Ltd. to exclusively distribute in Singapore its product called Firstbeat Lifestyle Assessment that focuses on the stress and recovery of users.

The Group will realize the value of the division by a few strategies:

- Supporting partners’ ICO projects in jurisdictions where it is legal such as Singapore, by providing the necessary technology and intellectual properties in return for foundation coins in the ICOs. The Group intends to support ICOs in the health sector, and through these ICOs, the Company will realize value through its holdings of the foundation coins in these ICOs. For example, an ICO project may involve a government that would like to motivate its citizens to exercise may want to create a crypto-currency or token through an ICO and use the tokens as a form of rewards and mode of payment to create a sustainable ecosystem that motivates people to exercise and stay healthy. In this case, the government would purchase the tokens and use the tokens to incentivize citizens to exercise. Third party service providers would be able to buy their exercise data using the tokens, and the citizens can use the tokens to purchase services and goods provided by service providers and can even cash out their tokens through the local crypto-exchange. There is no plan for the Company and its subsidiaries to become an issuer of ICO by ourselves.
- Generating revenue from providing blockchain technology related solutions through the intellectual properties that are built as part of the Universal Health Blockchain. Potential customers include insurance companies, healthcare service providers and governments. For example, a government may implement a nationwide blockchain-based Electronic Health Record system that allows doctors throughout the nation to access the electronic health records of their patients when authorized by the patients to do so. The Group intends to support the exponential growth expected in this sector by setting up a 200-man blockchain team in Southeast Asia and/or Eastern Europe and become the leading company in the world providing services

⁴ Correlations is a mutual relationship or connection between two or more things.



using blockchain technology (for example, messenger and wallet services using crypto functions or operation of ecosystem and others).

To develop this Universal Health Blockchain Ecosystem business, we expect the funding requirement to be USD15 million (JPY1,665 million) until the end of 2019, which includes USD8.7 million (JPY966 million) for research and development, USD1.7 million (JPY189 million) for operations, USD1.0 million (JPY111 million) for business development, USD0.6 million (JPY67 million) for sales and marketing and USD3.0 million (JPY333 million) for working capital. It takes time to realize the value of the foundation coins we received through the support of ICO hence an amount of USD3.0 million (JPY333 million) is put aside for working capital to bridge the process of converting foundation coins to fiat.

3. Reason of Selecting Macquarie for this Third Party Allotment

The Group positions Crypto Messenger & Wallet services and Universal Health Blockchain Ecosystem service as one of our core business in the future, and development and implementation of such business are the most important target in our business plan. To commercialize these new businesses, if possible it is desirable to build relationship to cooperate with a partner holding useful know-how, in addition to raise fund to develop related technologies. Therefore, we have chosen Wowoo as our candidate to ally in capital and business. However, in case we could not obtain approval from shareholders of the capital and business alliance with Wowoo, we think securing fund to develop related technologies should be our urgent issue to resolve, and select a partner in the future depending on the situation. In this case, we think for the backup fund raising plan, it would be beneficial for the Group to select a financial institution which does not interfere with our business and policy, and to enable the Group to freely select partners in these business area in the future under its own discretion.

The reason the Company has chosen Macquarie among the financial institutions for fund raising as it is difficult to raise fund by loan from normal financial institutions such as banks given the financial position of the Group, and as Macquarie has extensive experience in similar investment cases, and as we thought we could expect relatively smooth negotiation and implementation with Macquarie to raise fund, since Macquarie understands the business of the Group and we have implemented third party allotments to issue SARs with Macquarie in December 2013 and August 2015.

Under our situation mentioned above, we have negotiated with Macquarie on fund raising, and as a result we received a proposal from Macquarie stated in “4. Content of the Proposal” below. As the method to raise fund, and the content includes commitment clause where we could request Macquarie to exercise the SARs in a certain period, in case certain conditions are satisfied stated in “(8) Guaranteed Stock Purchase Period of 4. Content of the Proposal” below, which could allow flexible fund raising depending on the needs of funds of the Group. Under the SARs we issue by this Third Party Allotment, depending on the future movements of our share price, we might not be able to raise fund that we are expecting for development. However, considering the development of related technologies and commercialization would take place during the next 2 years, and as our needs of fund would occur at each stage during such period, and the proposal from Macquarie is structured to enable us to raise funds for our needs by responding to our request to exercise (As mentioned above, Macquarie’s exercise of SARs based on the request of the Company requires certain conditions to be satisfied. However, as in case such certain conditions are satisfied, the Company could request Macquarie to exercise the SARs based on our request, there is merit for the Company as we could secure fund by exercise of SARs, under the Company’s initiative based on our fund raising needs.), and we could expect to raise fund in appropriate periods by referring to our share price each time by requesting exercise of the SARs. Judging from the objective to raise fund for development of related technologies, we believe this Third Party Allotment to Macquarie matches with our needs.

Therefore, as (i) it is more realistic to choose equity finance to raise funds for the new business, since it



is hard to borrow money from a normal financial institutions due to the Group's financial position, (ii) among equity finance, judging from the current situation of share price of the Company and considering the amount of most of the fund required for the Group's new business, apart from strategic subscribers as in capital and business alliances such as with Wowoo, for financial institutions only under the objective to finance, it is hard to commit to our new shares based on one spot share price, and there is no other realistic means other than issuing SARs which could diverse the risk in a certain period, and on the other hand (iii) Macquarie, the holder of SARs to be issued under this Third Party Allotment, does not have the full discretion regarding exercise, and the Company could request Macquarie to exercise SARs each time the Group has fund needs in case certain conditions are satisfied stated in "(8) Guaranteed Stock Purchase Period of 4. Content of the Proposal" below, considering we could secure most of the fund required for the new business and raise fund when the Company needs under a certain limit, in case the capital and business alliance with Noah and Wowoo had not been approved by our shareholders, the Company believes this temporary fund raising method to develop the Group's core business compared to other fund raising methods is advantageous for the Company and our shareholders.

4. Content of the Proposal

Under the MOU, if the Third Party Allotment is approved by shareholders at EGM, the Company will make a resolution to conduct the Third Party Allotment after EGM and enter into a purchase agreement with Macquarie, and the Company will issue the SARs, with the key terms and conditions set below, to Macquarie pursuant to the said resolution and the purchase agreement.

Key terms and conditions agreed between the Company and Macquarie of SARs to be issued under



Third Party Allotment are as follows:



<p>1. SAR Subscription Commitment</p>	<p>The exact number of SARs is to be determined by Beat prior to execution, however it is expected that 13,000,000 SARs will be issued. This amount of SARs (and the corresponding stock, which is equal to 13,000,000 shares) is approximately 48.78% of outstanding ordinary shares.</p> <p>Each SAR converts into 1 ordinary issued share in Beat, freely listed on the Tokyo Stock Exchange (“TSE”), without restriction and ranking pari passu with existing shareholders.</p> <p>Based off current prices (JPY320 as at close on August 22, 2018) and structure listed below, Beat will raise approximately JPY3.95 billion from the execution of this structure. However, the amount mentioned above may fluctuate depending on fluctuation of Beat’s future share price, by amendment of exercise price, in case Macquarie does not exercise or Beat acquires and cancels the SARs.</p>																								
<p>2. SAR Structure</p>	<p>One series of Moving Strike SARs and one series of Fixed Strike SARs convertible to Moving Strike SARs. Series 2 Fixed Strike SARs can only be exercised after Series 1 Moving Strike SARs are exercised.</p> <table border="1" data-bbox="507 913 1423 1352"> <thead> <tr> <th>Series Number</th> <th>Total Number of SARs</th> <th>Structure</th> <th>Exercise Price</th> <th>% of Outstanding Ordinary Shares</th> <th>Total Notional Value (based off current share price on Aug 22, 2018) JPY Million</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>6,500,000</td> <td>Moving Strike SARs</td> <td>90% of previous day close price</td> <td>24.39%</td> <td>1,872</td> </tr> <tr> <td>2</td> <td>6,500,000</td> <td>Fixed Strike SARs → Moving Strike SARs</td> <td>100% of the close price on the date of the completion of Series 1 90% of previous day close price after conversion</td> <td>24.39%</td> <td>2,080</td> </tr> <tr> <td>Total</td> <td>13,000,000</td> <td></td> <td></td> <td>48.78%</td> <td>3,952</td> </tr> </tbody> </table>	Series Number	Total Number of SARs	Structure	Exercise Price	% of Outstanding Ordinary Shares	Total Notional Value (based off current share price on Aug 22, 2018) JPY Million	1	6,500,000	Moving Strike SARs	90% of previous day close price	24.39%	1,872	2	6,500,000	Fixed Strike SARs → Moving Strike SARs	100% of the close price on the date of the completion of Series 1 90% of previous day close price after conversion	24.39%	2,080	Total	13,000,000			48.78%	3,952
Series Number	Total Number of SARs	Structure	Exercise Price	% of Outstanding Ordinary Shares	Total Notional Value (based off current share price on Aug 22, 2018) JPY Million																				
1	6,500,000	Moving Strike SARs	90% of previous day close price	24.39%	1,872																				
2	6,500,000	Fixed Strike SARs → Moving Strike SARs	100% of the close price on the date of the completion of Series 1 90% of previous day close price after conversion	24.39%	2,080																				
Total	13,000,000			48.78%	3,952																				
<p>3. Term</p>	<p>To be determined by Beat. The term of the SARs is two (2) years. However, Series 2 Fixed Strike SARs can only be exercised after Series 1 Moving Strike SARs are exercised.</p>																								
<p>4. Initial Exercise Price</p>	<p>For both of Series 1 and Series 2, 100% of the most recent closing price of Beat on the day the Board of Directors resolves to issue the SARs.</p>																								
<p>5. Conversion to Moving Strike</p>	<p>By sending a 2 trading days prior notice to Macquarie, Beat can decide to convert all of the Fixed Strike SARs into Moving Strike SARs at any time. After conversion, the exercise price will be 90% of the closing price one day prior to the day of exercise.</p> <p>Once a series is converted to Moving Strike, the final raising amount will change depending on the share price of Beat throughout the term.</p>																								
<p>6. Resetting Exercise Price</p>	<p>Regarding the Moving Strike, the exercise price of the SARs will adjust daily to 90% of the closing price of Beat shares on the immediately preceding trading day prior to any exercise notice.</p>																								



<p>7. Minimum Exercise Price</p>	<p>To be determined by Beat, prior to announcement.</p> <p>It is expected that the Minimum Exercise Price will be 50% of the closing price of one day prior the date of the Board of Directors of Beat resolves to issue the SARs this is approximately JPY160 based on current stock price level on August 22, 2018.</p> <p>The exercise price may not reset lower than this (with the exception of a Corporate Action adjustment).</p>
<p>8. Guaranteed Stock Purchase Period</p>	<p>During the term of the SARs, Beat may declare a Guaranteed Stock Purchase Period. During a period of 20 Qualified Trading Days, Macquarie will guarantee to exercise a notional amount of at least JPY1 billion. On completion of the first Guaranteed Stock Purchase Period, Beat may declare further Guaranteed Stock Purchase Periods in respect of the SARs, provided notice is provided to Macquarie and there is a minimum of 5 Trading Days between the end of one Guaranteed Stock Purchase Period and the start of another.</p> <p>For a particular trading day to count as a “Qualified Trading Day”, all of the followings, among others, must apply:</p> <ul style="list-style-type: none"> • The stock price of Beat is more than 10% above the Minimum Exercise Price or the Current Exercise Price for the Fixed Strike SARs; • The stock price of Beat has not fallen by 10% or more from the previous closing price and has not been suspended; • There are no SARs that have been exercised, for which the resulting shares have not been delivered for a period of more than 3 Trading Days after the date on which the exercise became effective; • Any further exercise during the Guaranteed Stock Purchase Period will not be deemed an ‘Excessive Exercise’(conversion or exercise in the portion exceeding 10% of the number of listed shares on the date of payment for SARs stated in “(13) Others” below), or does not violate the restriction under the main text of Paragraph 1, Article 11 of the Act Concerning the Prohibition of Anti-Monopoly and Ensuring Fair Trade (Act No. 54 of 1947, as amended); • The trading day is not part of a Non-Exercise Period as declared by Beat; • Does not apply to Beat rejects exercise of SARs or reduces exercise volume as stated in “Right to Reject an exercise of (9) Beat Options” below; • Does not apply to the case Beat’s representation and warranty is false when made or become inaccurate after the time at which such representation and warranty are made based on the purchase agreement; • Does not apply to the case Beat breaches any of the covenants stated in the purchase agreement; • Daily Traded Value of Beat shares on that trading day is greater than JPY200 million; or • No market disruption event or disruption event occurs or is continuing during any time of such Trading Day. <p>The Guaranteed Stock Purchase Period begins again on the trading day following the full trading day that all these conditions are satisfied, and will continue until 20 Qualified Trading Days have elapsed.</p>



<p>9. Beat Options</p>	<p>Buyback and Cancellation – Beat may terminate the transaction by buying back any number of SARs at any time in exchange of the premium paid for such SARs and at least 3 trading days prior notice to Macquarie (“Notice Period”).</p> <p>For the avoidance of doubt, Macquarie shall have the right to exercise any number of SARs during the Notice Period, and any Guaranteed Stock Purchase Period in effect at the date the notice is given shall be cancelled.</p> <p>Non-Exercise Periods – Beat may designate unlimited Non-Exercise periods, each lasting up to 20 trading days (a “Non-Exercise Period”), by providing one trading day’s notice, during which Macquarie may not issue an exercise request. A Non-Exercise period can be terminated early by Beat upon their request.</p> <p>Right to Reject an exercise –</p> <p>(i) after completion of 30% exercise of the SARs, or</p> <p>(ii) if an exercise notice relates to more than 1% of the outstanding ordinary shares, Beat may, reject by email such exercise or request for a reduction of size as specified in the exercise notice. Subject to any applicable laws and regulations, Macquarie agrees to inform Beat in advance of any intention to sell, transfer, or otherwise dispose of the shares of Beat obtained upon exercise of SARs by way of off-market trade, and provide Beat with sufficient opportunity to veto such sale, transfer or disposal.</p>
<p>10. Macquarie Options</p>	<p>Exercise – Subject to the foregoing, Macquarie may exercise any number of SARs on any trading day throughout the term, provided an exercise notice is received by Beat. However, Series 2 Fixed Strike SARs can only be exercised after Series 1 Moving Strike SARs are exercised.</p> <p>Right to Compel Acquisition – Macquarie may compel Beat to acquire all or a portion of the SARs at a price equal to the premium for such SARs if under any of the following circumstances:</p> <ul style="list-style-type: none"> • the closing price of Beat shares is less than 20% of closing price on the date on which the board resolution to issue the SARs is passed for 15 consecutive trading days; • 20 day Average Daily Traded Volume of Beat shares fall below 1,000 shares; • trading of the shares on the Tokyo Stock Exchange is suspended for 5 or more consecutive Trading Days; or • there are SARs outstanding one month prior to the maturity date of the program.
<p>11. SAR Premium</p>	<p>To be determined by an external third party valuation company</p>
<p>12. Restrictions on Transfer</p>	<p>Transfer of the SARs requires the approval of the Board of Directors of Beat</p>



13. Others	<p>First Right of Refusal – After concluding a purchase agreement, for a period of six months after the earliest of, the day all SARs are exercised or bought back by Beat, the day the exercisable period expired, or the day such purchase agreement is terminated, Beat shall not draw down or enter into any other equity or equity linked financing facility, without first providing Macquarie with the opportunity to execute a similar program except (1) for stock options and shares to the directors, officers, employees, consultants, or investors or creditors of Beat or its subsidiaries and (2) in the case where Beat issues any shares, stock acquisition rights and securities to other company or individual as a part of, or in connection with, the business alliances or credit facilities between Beat and such third parties (which includes not only existing business alliances/credit facilities prior to the transaction, but also potential business alliances/credit facilities entered into during the term of the transaction) unless such company is a financial company who intends to proceed with the business alliance primarily to provide financing to Beat.</p> <p>Excessive Exercise – According to paragraph 1 of Article 434 and paragraph 1 to 5 of Article 436 of Securities Listing Regulations, regulated by Tokyo Stock Exchange Inc. and Article 13 of Rules Regarding Handling of Capital Increase by Third Party Allotment, Etc..., regulated by Japan Securities Dealers Association, the number of shares to be acquired by conversion or exercise, in the same month are limited as to the portion not exceeding 10% of the number of listed shares on the date of payment for SARs.</p>
------------	--

As mentioned above, unlike Noah Proposal and Wowoo Proposal, under this Third Party Allotment there would be only issuance of SARs. Although, we have discussed with Macquarie about issuing new shares as well, Macquarie does not intend to hold the shares of the Company for a long period, and intend to sell the shares in a timely and appropriate manner. As mentioned above in “3. Reason of Selecting Macquarie for this Third Party Allotment”, the Company thinks that among equity finance, judging from the current situation of share price of the Company and considering the amount of most of the fund required for the Group’s new business, apart from strategic subscribers such as in capital and business alliances such as with Wowoo, for financial institutions only under the objective to finance, it is hard to commit to our new shares based on one spot share price, and there could be no other realistic means other than issuing SARs. Considering the above and as a result of negotiation with Macquarie in this Third Party Allotment, Macquarie will subscribe for the SARs only.

The Company has considered of issuing new shares and SARs by third party allotment as a backup plan (only fund raising) in case both of Noah Proposal and Wowoo Proposal could not obtain approval from our shareholders. As to issuing new shares, since the financial position of the Company is not well (recording operating loss, no dividends and others) we understand it is hard to find a subscriber to our new shares, and since the share price of the Company is unstable and as our financial situation is not certain we also understand it is hard to find a subscriber to our SARs only with fixed exercised price. In addition, we did not consider of borrowing money from financial institutions or individuals since it is hard due to our financial position and even if we could borrow money, it is hard for us to repay such loan and interests at this present time. Further, we have not considered of public offering as well, since we could not implement such due to our financial position. Therefore, the Company has concluded raising funds by ways other than issuing SARs to Macquarie by third party allotment would be extremely difficult, we have chosen to raise funds by issuing the SARs by third party allotment.

This time, we have negotiated with Macquarie for issuance of convertible Fixed Strike SARs in addition to Moving Strike SARs. As the exercise price of Fixed Strike SARs are fixed, when the share price of the Company drops and is higher than the exercise price, the exercise price would be higher than Moving Strike SARs which is set to be 90% of prior day close price. As a result the Company could expect fund



raising in the level which matches more to our fund raising needs. When our share price increases and becomes much higher than the exercise price, the Company could convert the Fixed Strike SARs into Moving Strike SARs, which give the Company more flexibility and with the hope of raising more fund. On the other hand, when the share price of the Company is lower than the exercise price and the exercise price is fixed, we could not expect Macquarie to exercise, however, even under such situation by converting the Fixed Strike SARs to Moving Strike SARs, we could expect exercise by Macquarie as long as our share price is 10% higher than the floor exercise price, and by setting a floor exercise price we could limit impacts to our current shareholders in a certain level, and secure flexible fund raising even under the situation that the share price of the Company is lower than the fixed exercise price originally being set.

Usage of fund raised by issue and exercise of the SARs above are (i) to develop Crypto Messenger & Wallet services (ii) to develop Universal Health Blockchain Ecosystem.

As mentioned above in “Objective of this Proposal”, currently, the Company expects the amount of fund we need to raise is USD45 million (JPY4,995 million), the total of USD30 million (JPY3,330 million) to develop (i) above and USD 15 million (JPY1,665 million) to develop (ii) above. Based on the current share price of the Company (JPY320 as at close on August 22, 2018) and structure listed above (although the issue price is not fixed), the Company will raise approximately JPY3.95 billion (USD30 million) from the execution of this Third Party Allotment (expected total amount to receive by issuance and exercise of the SARs based on recent share price). As mentioned above, this Third Party Allotment is an alternative plan for the Company’s future fund raising. The actual amount of fund to be raised by this Third Party Allotment depends on our future share price, and in case we could not raise sufficient fund from this Third Party Allotment, first we would consider to discuss additional fund raising with Macquarie, however, as there are no such discussion or agreement between Macquarie at this present time, we would continuously seek for other fund raising opportunities as well. Further, in the situation that we could not raise sufficient fund to develop both businesses concurrently, priority will be given to develop the Crypto Messenger & Wallet business. In case we could not raise sufficient fund to develop the Crypto Messenger & Wallet business, due to movements of our share price in the future, depending on the situation we would consider of possibilities of other fund raisings to supplement such shortage of fund or other options (including co-development with third parties by alliance) to develop such



business.

5. Outline of Macquarie

(1)	Name	Macquarie Bank Limited		
(2)	Address	Level 6, 50 Martin Place, Sydney NSW 2000 Australia		
(3)	Name and Title of Representative	Chairman: P.H. Warne CEO: M.J.Reemst		
(4)	Business	Commercial Bank		
(5)	Capital	A\$9,821 million (JPY801,983 million) (as of March 31, 2018)		
(6)	Date of Incorporation	April 26, 1983		
(7)	Number of Outstanding Shares	Ordinary Shares 589,276,303 (as of March 31, 2018)		
(8)	Fiscal Term	March 31		
(9)	Number of Employees	14,469 (Macquarie Group) (as of March 31, 2018)		
(10)	Clients	Individual and Corporation		
(11)	Main Bank	—		
(12)	Major Shareholder	Macquarie B.H. Pty Ltd, 100%		
(13)	Relationship of the Parties			
	Capital	No capital relationship, including related parties, subsidiaries and affiliates.		
	Personal	No personal relationship, including related parties, subsidiaries and affiliates.		
	Trading	No trading relationship, including related parties, subsidiaries and affiliates.		
	Situation of Related Parties	No relationship between related parties, including related parties, subsidiaries and affiliates.		
(14)	Most Recent Operating and Financial Results (JPY)			
	Year Ended	March 31, 2016	March 31, 2017	March 31, 2018
	Net Asset	1,096,238 million	1,080,554 million	1,069,991 million
	Total Asset	15,663,776 million	14,373,135 million	14,144,982 million
	Net Asset per Share	1,860.41	1,833.70	1,815.77
	Net revenue	486,709 million	499,675 million	503,271 million
	Operating Income	149,730 million	148,761 million	175,814 million
	Net Income	180,694 million	105,068 million	129,268 million
	Net Income per Share	316.63	178.30	219.37
	Dividend per Share	261.12	173.20	211.61

(Note) Exchange rate used is (middle) rate for buying and selling of telegraphic transfer of MUFG Bank, Ltd. of JPY and A\$ of foreign currency exchange rate on the last day of each fiscal year (March 31, 2016: 1A\$=86.25, March 31, 2017: 1A\$=85.84, March 30, 2018: 1A\$=81.66).

Macquarie does not intend to hold the shares of the Company acquired by executing the SARs for a long



period of time, and their purpose to subscribe to the SARs is for pure investment.

6. Schedule

(1) Date of Execution of MOU	August 23, 2018
(2) EGM	Date/time to be announced
(3) Board resolution on Third Party Allotment	The business day following the EGM

7. Future outlook

At this present time, it is hard to forecast the impacts of this Third Party Allotment to the consolidated performance of the Company, as the Company positioning this Third Party Allotment as an alternative plan for other agenda items at the EGM. In case any event decided or occurred required to be disclosed, we will announce such immediately.

Exchange rate used: USD1 = JPY111.01 based on the foreign currency exchange rate (middle rate) from the Tokyo Foreign Exchange Market as of July 31, 2018.

[End]



About Beat Holdings Limited

Beat Holdings is in the business of developing applications based on blockchain technology including building a healthcare blockchain ecosystem based on proprietary intellectual properties and technology, providing wellness services, designing and manufacturing wearable health care devices, and the licensing of intellectual properties. Through Its subsidiary, GINSMS: (listed on Toronto Venture Exchange, TSXV:GOK), Beat also provides mobile messaging service, software products and services. Beat is headquartered in Hong Kong, with subsidiaries in Singapore, Malaysia, Indonesia, China and Canada.

For more information, please visit <https://www.beatholdings.com/>

This is a press release to the public and shall not constitute an offer to invest in the securities of our company, nor should it be relied on as information to make an investment decision by any investor. Investors should read documents we submitted including our annual securities report and consider the risk factors together with other information contained therein when making an investment decision. This press release contains some forward-looking statements that involve a number of risks and uncertainties. A number of factors could cause actual results, performance, achievements of the company or industries in which it operates to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.