

TAN CHONG MOTOR HOLDINGS BERHAD (“TCMH” OR THE “COMPANY”)

- PROPOSED DISPOSAL OF ASSETS BY TC ALUMINIUM CASTINGS SDN BHD (AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF TCMH) TO APM THERMAL SYSTEMS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF APM AUTOMOTIVE HOLDINGS BERHAD) FOR A TOTAL CASH CONSIDERATION OF RM5,701,318/-

1. INTRODUCTION

Pursuant to paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Board of Directors of TCMH informs that TC Aluminium Castings Sdn Bhd (“Vendor” or “TCAC”), a wholly-owned subsidiary of TC Manufacturing Holdings Sdn Bhd (“TCMan”) which in turn is a wholly-owned subsidiary of TCMH, proposes to enter into a related party transaction with APM Thermal Systems Sdn Bhd (“Purchaser” or “APMTS”), a wholly-owned subsidiary of APM Automotive Holdings Berhad (“APM”), in respect of the proposed disposal (“Proposed Disposal”) of the assets of TCAC used for the casting, machining and assembly of aluminium parts and components and other related assets (collectively, the “Assets”) as detailed in section 2.1 below for a total cash consideration of RM5,701,318/- which is subject to price adjustment (“Proposed Disposal Price”) and conditional upon the fulfilment of the Conditions Precedent as set out in section 3(b) below.

Based on the audited financial statements of the Company for the financial year ended 31 December 2015, the highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02(g) of the MMLR is 0.28%.

The Proposed Disposal falls within the ambit of Section 132E of the Companies Act, 1965 (“Act”).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 The Assets

The Assets which form the subject matter of the Proposed Disposal are as follows:

- (a) the core assets of TCAC comprising the plant and machinery used for the casting, machining and assembly of aluminium parts and components (“Core Assets”). The Core Assets are valued based on the market value as stated in the valuation report of Henry Butcher Malaysia Sdn Bhd dated 26 November 2015 (“Valuation Report”);
- (b) other fixed assets of TCAC besides the Core Assets comprising moulds, tools, furniture & fittings, factory equipment and office equipment (“Other Fixed Assets”); and
- (c) the stock comprising raw materials which TCAC uses to cast, machine and assemble aluminium parts and components, work-in-progress and finished goods (“Stock”).

2.2 Information on TCAC

TCAC was incorporated in Malaysia as a private limited company under the Act on 4 July 2006.

The authorised share capital of TCAC is RM5,000,000/- comprising 5,000,000 ordinary shares of RM1/- each. The issued and paid-up share capital of TCAC is RM4,500,000/- comprising 4,500,000 ordinary shares of RM1/- each. The principal activities of TCAC are casting, machining and assembly of aluminium parts and components.

The directors of TCAC are Mr Teong Seng Kiang, Mr Christopher Tan Kok Leong, Ms Lim Sew Chan and Mr Lee Jiunn Shyan.

2.3 Information on APMTS

APMTS was incorporated in Malaysia as a private limited company under the Act on 14 June 2011.

The authorised share capital of APMTS is RM100,000/- comprising 100,000 ordinary shares of RM1/- each. The issued and paid-up share capital of APMTS is RM2/- comprising 2 ordinary shares of RM1/- each. APMTS is currently dormant.

The directors of APMTS are Mr Low Seng Chee and Mr Siow Tiang Sae.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

APMTS and TCAC have on 27 April 2016 agreed to the principal terms and conditions of the sale and purchase of the Assets set out in the Principal Terms Sheet which are summarised as follows:

- (a) The Assets shall be sold and purchased free from all encumbrances.
- (b) The completion of the Proposed Disposal is conditional upon satisfaction of the following conditions precedent (collectively referred to as “Conditions Precedent”):
 - (i) obtaining of approvals of the shareholders of APMTS, APM, TCAC, TCMAN and TCMH (“Shareholders’ Approvals”);
 - (ii) obtaining of all authorisations, registrations, statutory licences and permits including work permits (if applicable);
 - (iii) due diligence which confirms that the Assets are free from encumbrances and on the value of the Assets;
 - (iv) TCAC not being in breach of any of the warranties relating to the Assets including its title to the Assets; and
 - (v) TCAC not being the subject matter of any pending or threatened litigation that have a material adverse effect on the value of the Assets or the sale and purchase of the Assets.
- (c) 10% of the Proposed Disposal Price of RM570,000/- shall be paid upon execution of the Contract of Sale of Assets (“CSA”) after obtaining the Shareholders’ Approvals. Another 10% of the Proposed Disposal Price of RM570,000/- will be withheld for three (3) months from completion date and will be released upon the satisfaction of all warranty claims, if any. The balance of the Proposed Disposal Price after any price adjustment shall be paid within five (5) business days after the completion date of the Proposed Disposal;
- (d) Within thirty (30) working days or such other period as the parties may agree upon obtaining the last of the Shareholders’ Approvals, the parties will enter into the CSA on arm’s length basis and commercially acceptable terms and conditions.
- (e) TCAC shall after the completion of the Proposed Disposal for a transitional period of up to six (6) months, which may be extended by mutual agreement, provide such training, assistance and support at arm’s length and commercial rate basis to the employees of APMTS in the operation and maintenance of the fixed assets and the different processes relating to the casting, machining and assembly of aluminium parts and components as may be required by APMTS.

4. BASIS OF THE PROPOSED DISPOSAL PRICE

The Proposed Disposal Price, which is subject to price adjustment in accordance with the basis of valuation stated below, was arrived at based on a willing-buyer willing-seller basis, after taking into consideration the following:

Description	Value as at 31 December 2015 RM'000/-	Basis of valuation
Core Assets	4,643	Market value *
Other Fixed Assets	465	Net book value^
Stock	593	Percentage of the cost by reference to the age of the Stock
TOTAL	5,701	

* *Market value based on the Valuation Report.*

^ *Net book value as at the completion date of the Proposed Disposal which shall be determined by reference to the audited financial statements of TCAC as at 31 December 2015.*

5. ORIGINAL COST AND DATE OF INVESTMENT

TCAC acquired the Assets (except for Stock) over the period from 2009 to 2015 for a total original cost of investment of RM7.928 million. The net book value of the Assets (except for Stock) as at 31 December 2015 was RM4.468 million.

The disposal of the Assets (except for Stock) will result in a gain on disposal of RM0.640 million to the TCMH Group.

6. RATIONALE FOR THE PROPOSED DISPOSAL

TCMH Group initiated the aluminium casting project in 2007 to expand the Group's business into the aluminium high pressure die-casting industry and to tap into the potentials of supply of aluminium products primarily to the local automotive market ("Project"). TCAC started the Project by supplying to the APM Group which is involved in the manufacturing and distribution of automotive products and components. The APM Group is a principal customer of TCAC.

Due to high operating costs and declining business volume from its customers, TCAC has been incurring losses in its operation. Expansion of business requires additional heavy capital investment for purchase of higher tonnage machinery in order to meet the new product requirements of potential clients.

In view of the foregoing factors, TCAC proposes to dispose of the Assets to APMTS. The Proposed Disposal will limit the ongoing operational losses suffered by TCMH Group's business and enable the Group to better utilise its resources.

7. EFFECTS OF THE PROPOSED DISPOSAL

(i) Share capital

The Proposed Disposal will have no effect on the issued and paid-up share capital of TCMH.

(ii) Earnings

The Proposed Disposal will not have any material effect on the consolidated earnings per share of TCMH Group for the financial year ending 31 December 2016. Nonetheless, the proposed disposal of the Assets (except for Stock) is expected to result in a gain on disposal amounting to RM0.640 million based on the audited net book value of the assets as at 31 December 2015.

(iii) Net Assets and Gearing

The Proposed Disposal will not have any material effect on the consolidated net assets per share and gearing of TCMH Group for the financial year ending 31 December 2016.

(iv) Substantial shareholders' shareholdings

The Proposed Disposal will have no effect on the shareholdings of the substantial shareholders of TCMH.

8. APPROVALS REQUIRED

The Proposed Disposal falls within the ambit of Section 132E of the Act in view of the disclosure of interests set out in section 9 below and hence requires the prior approval of the shareholders of TCMH at the forthcoming Annual General Meeting ("AGM") and the prior approvals of the shareholders of APMTS, APM, TCAC and TCMAN.

The Proposed Disposal is also subject to all authorisations, registrations, statutory licences and permits (if applicable) being obtained. The applications for all relevant authorisations, registrations and statutory licences and permits are anticipated to be submitted within one (1) month of the execution of the CSA.

9. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Tan Chong Consolidated Sdn Bhd ("TCC") is a substantial shareholder of TCMH and APM. By virtue of their respective shareholdings in TCC pursuant to Section 6A of the Act, Dato' Tan Heng Chew, a director of TCMH and APM, Mr Tan Eng Soon, brother of Dato' Tan Heng Chew and Mr Tan Kheng Leong are substantial shareholders of TCMH and APM.

Apart from Mr Tan Eng Soon, the persons deemed connected with Dato' Tan Heng Chew by virtue of Section 122A of the Act are as follows:

- (a) his spouse, Dato' Khor Swee Wah @ Koh Bee Leng, who is a Director of TCMH;
- (b) his brother, Dato' Tan Eng Hwa, who is a director of APM;
- (c) his son, Mr Nicholas Tan Chye Seng, who is a director of APM;
- (d) his son, Mr Christopher Tan Kok Leong, who is a director of TCAC; and
- (e) Wealthmark Holdings Sdn Bhd ("WH"), a substantial shareholder of APM.

Dato' Tan Eng Hwa and WH are also persons deemed to be connected with Mr Tan Eng Soon.

The Directors of TCMH or TCAC who are interested in the Proposed Disposal (namely Dato' Tan Heng Chew, Dato' Khor Swee Wah @ Koh Bee Leng and Christopher Tan Kok Leong) have abstained and will continue to abstain from deliberating and voting on the resolution in respect of the Proposed Disposal at the relevant meetings of the respective Boards of TCMH and TCAC.

The Directors and substantial shareholders who are interested in the Proposed Disposal shall abstain from voting, and have undertaken that they will ensure that persons connected with them abstain from voting in respect of their direct and/or indirect shareholdings in TCMH on the relevant resolution pertaining to the Proposed Disposal to be tabled at the forthcoming AGM.

Dato' Haji Kamaruddin @ Abas bin Nordin is a Director of TCMH and APM and his shareholding in TCMH and APM is less than 0.01%. Due to Dato' Haji Kamaruddin @ Abas bin Nordin's common directorship in TCMH and APM, even though he is not interested in the Proposed Disposal for the purposes of Section 132E of the Act, he has abstained and will continue to abstain from deliberating and voting on the resolutions in respect of the Proposed Disposal at the relevant meetings of the respective Boards of TCMH and APM as well as the relevant resolution pertaining to the Proposed Disposal to be tabled at the forthcoming AGM.

Save as disclosed above, none of the other Directors, substantial shareholders and/or persons connected with such Directors or substantial shareholders of TCMH has any interest, direct or indirect, in the Proposed Disposal.

10. UTILISATION OF SALE PROCEEDS

The proceeds from the Proposed Disposal will be utilised by TCAC to repay its borrowings within three (3) months from the completion of the Proposed Disposal.

11. LIABILITIES TO BE ASSUMED BY THE PURCHASER

APMTS will not assume any liabilities arising from the Proposed Disposal.

12. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

The Proposed Disposal is estimated to be completed by the last quarter of 2016.

13. TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

There was no transaction entered into by TCAC with APMTS for the past 12 months.

14. STATEMENT BY AUDIT COMMITTEE

The Audit Committee (except for Dato' Haji Kamaruddin @ Abas bin Nordin who abstained from deliberating on the Proposed Disposal as explained in section 9 above) having considered all aspects of the Proposed Disposal, including the basis of arriving at the Proposed Disposal Price, the rationale for the Proposed Disposal and the principal terms of the Proposed Disposal, is of the opinion that the Proposed Disposal is:

- (i) in the best interest of TCMH Group;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of TCMH Group.

15. DIRECTORS' RECOMMENDATION

The Board (except for the interested Directors as disclosed in section 9 above) having considered all aspects of the Proposed Disposal, including the basis of arriving at the Proposed Disposal Price, the rationale for the Proposed Disposal and the principal terms of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of TCMH Group.

16. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of TCMH at 62-68, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur during normal office hours from Mondays to Saturdays (except public holidays) for a period of three (3) months from the date of this announcement:

- (a) the Principal Terms Sheet agreed between TCAC and APMTS on the principal terms and conditions of the sale and purchase of the Assets as set out in section 3 above;
- (b) the Valuation Report and Letter of Consent from Henry Butcher Malaysia Sdn Bhd to the reference of the Valuation Report being made in this announcement.

This announcement is dated 27 April 2016.