

TAN CHONG MOTOR HOLDINGS BERHAD (12969-P)

SUBSCRIPTION AND SHAREHOLDERS' AGREEMENT BETWEEN WARISAN TC HOLDINGS BERHAD, TAN CHONG MOTOR HOLDINGS BERHAD AND COMIT COMMUNICATION TECHNOLOGIES (M) SDN BHD

1. INTRODUCTION

The Board of Directors of Tan Chong Motor Holdings Berhad ("TCMH" or "the Company") wishes to announce that TCMH has on 24 September 2018 entered into a Subscription and Shareholders' Agreement ("Agreement") with Warisan TC Holdings Berhad ("WTCH") and Comit Communication Technologies (M) Sdn Bhd ("CCT"), a wholly-owned subsidiary of WTCH, to regulate the relationship of the parties as shareholders through equity participation by TCMH in CCT ("Joint Venture").

2. INFORMATION ON WTCH

WTCH is a company listed on the Main Market of Bursa Malaysia Securities Berhad. WTCH and its subsidiaries are principally involved in the distribution and rental of industrial machinery and equipment, manufacturing and/or assembly and distribution of commercial and passenger vehicles, provision of used vehicles auction services, provision of travel and air ticketing services as well as rental of cars and coaches.

WTCH has an issued share capital of RM67,200,000 comprising 67,200,000 ordinary shares.

3. INFORMATION ON CCT

CCT is a private limited company incorporated in Malaysia on 31 July 1991. CCT has an issued share capital of RM33,350,000 comprising 33,350,000 ordinary shares, all of which are held by WTCH.

CCT's principal activity is property investment holding and it is the registered owner of a piece of leasehold industrial land held under the document of title HS(D) 156434, PT No. PT 1A, Seksyen 13, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ("Property").

4. DETAILS OF THE JOINT VENTURE

(a) TERMS OF THE AGREEMENT

(1) Share Capital Structure

Pursuant to the Joint Venture, TCMH has agreed to subscribe for 10,822,185 new ordinary shares in CCT for a total cash consideration of RM13,244,190.00 (i.e. at a subscription price of RM1.2238 per share) ("Subscription Consideration"). Following the subscription, the shareholding of CCT shall be as follows:

Capital Structure Before the Joint Venture

Shareholder	Percentage	Number of Shares	Issued Share Capital (RM)
WTCH	100%	33,350,000	33,350,000

Capital Structure After the Joint Venture

Shareholder	Percentage	Number of Shares	Issued Share Capital (RM)
WTCH	75.5%	33,350,000	33,350,000
TCMH	24.5%	10,822,185	13,244,190
TOTAL	100.0%	44,172,185	46,594,190

The Subscription Consideration was arrived at after taking into consideration the market value of the Property provided by the independent valuers, Rahim & Co International Sdn Bhd and Henry Butcher Malaysia (SEL) Sdn Bhd.

(2) Board Composition

The number of directors to be appointed to the Board of CCT shall not be more than five (5) directors. Members of the Board shall be nominated by each shareholder as follows:

Shareholder	No of Directors on the Board of CCT
WTCH	3 Directors
TCMH	2 Directors

(5) RATIONALE FOR THE JOINT VENTURE

The Joint Venture is viewed to be a strategic investment for TCMH because CCT has a Property that is currently rented to TC Euro Cars Sdn Bhd (a wholly-owned subsidiary of TCMH) as a flagship motor showroom. This Property is strategically located at Jalan Kemajuan, Petaling Jaya and is in proximity with the TCMH Group's properties situated in the same vicinity. This provides an opportunity for TCMH to expand its property investment portfolios.

(6) RISK FACTORS AND PROSPECTS

The Joint Venture is not expected to materially change the business risk profile of the Group as it is viewed to be a strategic investment for TCMH to expand its property investment portfolios.

However, as with any business venture, the Joint Venture is subject to inherent risk in business and industry including but not limited to those associated with the changes in the market, economic, political and regulatory conditions.

Nevertheless, the Group will continue to exercise due care in considering the risks and benefits associated with the Joint Venture and will undertake appropriate measures to mitigate the various business risks identified.

(7) FINANCIAL EFFECTS

(a) Share Capital

The Joint Venture will have no effect on the share capital of TCMH.

(b) Net Assets and Gearing

The Joint Venture 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 2018.

(c) Earnings

The Joint Venture will not have any material effect on the consolidated earnings per share of TCMH Group for the financial year ending 31 December 2018.

(d) Substantial shareholders' shareholdings

The Joint Venture will have no effect on the shareholdings of the substantial shareholders of TCMH.

(8) APPROVAL REQUIRED

The Joint Venture is not subject to the approval of the shareholders of TCMH or any other relevant regulatory authorities.

(9) ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Joint Venture is expected to be completed within 30 days after the execution of the Agreement or such other date as may be agreed by TCMH and WTCH in writing.

(10) RELATED PARTY TRANSACTION AND PERCENTAGE RATIO

The Joint Venture is regarded as a related party transaction falling under the ambit of Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The highest percentage ratio applicable for the Joint Venture pursuant to Paragraph 10.02(g) of the Listing Requirements is 1.253%, which is based on the latest audited consolidated financial statements of TCMH for the financial year ended 31 December 2017.

(11) INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors or major shareholders of TCMH and/or persons connected to them, has any interest, direct or indirect, in the Joint Venture:

- (i) Tan Chong Consolidated Sdn Bhd ("TCC") is a major shareholder of TCMH and WTCH. By virtue of their respective shareholdings in TCC pursuant to Section 8(4) of the Companies Act 2016 ("Act"), Dato' Tan Heng Chew, a Director of TCMH and WTCH, and Mr Tan Eng Soon, a brother of Dato' Tan Heng Chew, are major shareholders of TCMH and WTCH.

- (ii) Dato' Khor Swee Wah @ Koh Bee Leng, a Director of TCMH, is a person connected with Dato' Tan Heng Chew pursuant to Section 197 of the Companies Act 2016.
- (iii) Mr Lee Min On is an Independent Director of TCMH and WTCH.
- (iv) Mr Ho Wai Ming is a Director of TCMH and CCT.

Being Directors who are deemed to be interested in the Joint Venture, Dato' Tan Heng Chew, Dato' Khor Swee Wah @ Koh Bee Leng, Mr Lee Min On and Mr Ho Wai Ming have abstained and will continue to abstain from deliberating and voting on the resolution(s) in respect of the Joint Venture at the relevant meeting of the Board of TCMH.

(12) TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Other than the Subscription Consideration, the total amount transacted between TCMH and its subsidiary companies ("TCMH Group") and the same related party, namely WTCH and its subsidiary companies ("WTCH Group"), for the preceding 12 months amounted RM115,596,000. The amount disclosed was in respect of recurrent related party transactions entered with the WTCH Group for the period from 1 September 2017 to 31 August 2018 for which the TCMH shareholders' mandate had been obtained.

(13) STATEMENT BY AUDIT COMMITTEE

The Audit Committee of TCMH (except for Mr Lee Min On who abstained from deliberating on the Joint Venture), having considered all aspects of the Joint Venture, is of the opinion that the Joint Venture 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.

(14) DIRECTORS' STATEMENT

The Board of TCMH (except for the interested Directors as disclosed under Section 11 above) having considered all aspects of the Joint Venture, is of the opinion that the Joint Venture is in the best interest of the TCMH Group.

(15) DOCUMENT FOR INSPECTION

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

- (a) the Agreement; and
- (b) the valuation reports dated 13 September 2017 and 20 September 2017 from Rahim & Co International Sdn Bhd and Henry Butcher Malaysia (SEL) Sdn Bhd respectively.

This announcement is dated 24 September 2018.