

TAN CHONG MOTOR HOLDINGS BERHAD
Registration no. 197201001333 (12969-P)
(Incorporated in Malaysia)

SUBSCRIPTION AND SHAREHOLDERS' AGREEMENT BETWEEN TC SUNERGY SDN. BHD., TAN CHONG MOTOR ASSEMBLIES SDN. BHD., APM SHOCK ABSORBERS SDN. BHD. AND TCIM SDN. BHD.

1. Introduction

Tan Chong Motor Holdings Berhad ("TCMH" or "Company") had made an announcement dated 15 March 2021 on the receipt of a Letter of Notification from the Energy Commission ("EC") notifying that Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA"), an indirect subsidiary of the Company, APM Shock Absorbers Sdn. Bhd. ("APMSA"), a wholly-owned subsidiary of APM Automotive Holdings Berhad ("APM") and TCIM Sdn. Bhd. ("TCIM"), a wholly-owned subsidiary of Warisan TC Holdings Berhad ("WTCH") which collaborated as a consortium in the bid for the construction, operation and maintenance of a 20MW solar photovoltaic energy facility at Kawasan Kolam Takungan Air Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan and a part of its surrounding area ("LSSPV Project") had been selected as a Shortlisted Bidder for the LSSPV Project, subject to fulfillment of additional requirements to be issued by EC in due course.

In line with the above, the Board of Directors of the Company wishes to announce that TCMA and TC Sunergy Sdn. Bhd. ("TC Sunergy"), another indirect subsidiary of the Company, had on 18 June 2021 entered into a Subscription and Shareholders' Agreement ("SSA") with APMSA and TCIM to regulate the relationship of the parties (i.e. TCMA, APMSA and TCIM) as shareholders through equity participation by the subscription of 999,998 new ordinary shares in TC Sunergy for a total cash subscription consideration of RM999,998/- ("Proposed Subscription") as the initial share capital of TC Sunergy, the company identified to undertake the LSSPV Project, as depicted below:

Shareholders	Number of New Ordinary Shares	Agreed Proportion of Shareholding	Price Per New Ordinary Share	Subscription Consideration/ Initial Share Capital
TCMA	509,998	51%	RM1/-	RM509,998/-
APMSA	400,000	40%	RM1/-	RM400,000/-
TCIM	90,000	9%	RM1/-	RM 90,000/-

TC Sunergy is projected to have an issued share capital of RM24,000,000/- eventually with additional capital injection from time to time from the parties in accordance with the agreed proportion as set out above.

2. Information on TCMA

TCMA [Registration. No. 197401001391 (18428-D)] is a private limited company incorporated in Malaysia on 7 May 1974 and having its registered office at 62-68, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur. TCMA is principally engaged in the business of assembly of motor vehicles.

The issued share capital of TCMA is RM2,000,000/- comprising 2,000,000 ordinary shares. TCMA is a 70%-owned subsidiary of TCMH.

The existing directors of TCMA are Dato' Tan Heng Chew, Christopher Tan Kok Leong, Ho Wai Ming, Tan Keng Meng, Teong Seng Kiang, Lee Jiunn Shyan, Chow Kai Ming, Alagasan a/l Gadigaselam, Koh Lay Hoon, Wan Chun Shong and Chia Tuang Mooi.

3. Information on APMSA

APMSA [Registration No. 198001006268 (60052-P)] is a private limited company incorporated in Malaysia on 9 July 1980 and having its registered office at 62-68, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur. APMSA is principally engaged in the business of manufacturing and sale of shock absorbers and related component parts.

The issued share capital of APMSA is RM20,000,000/- comprising 20,000,000 ordinary shares. APMSA is a wholly-owned subsidiary of APM.

The existing directors of APMSA are Dato' Tan Eng Hwa, Low Seng Chee, Sow Soon Hock and Yeoh Lam Guan.

4. Information on TCIM

TCIM [Registration No. 198301007572 (102797-A)] is a private limited company incorporated in Malaysia on 16 June 1983 and having its registered office at 62-68, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur. TCIM is principally engaged in the business of distribution, sale and rental of material handling equipment, agriculture tractors, engines, construction equipment and spare parts as well as provision of after-sales services.

The issued share capital of TCIM is RM43,896,000/- comprising 43,366,000 ordinary shares. TCIM is a wholly-owned subsidiary of WTCH.

The existing directors of TCIM are Tan Keng Meng, Wong King Yoon, Yeap Ling Weng, Lee King Soon, Tan Soon Huat and Ang Lay Bee.

5. Information on TC Sunergy

TC Sunergy [Registration No. 199701003495 (418991-D)] is a private limited company incorporated in Malaysia on 29 January 1997 and having its registered office at 62-68, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur. TC Sunergy is currently dormant.

For the financial year ended 31 December 2020, TC Sunergy recorded audited net profit after tax of RM14,402/- and capital deficiency of RM49/-.

As at 31 March 2021, the unaudited net assets value of TC Sunergy was RM2/-, represented by the issued share capital of RM2/- comprising two (2) ordinary shares. TC Sunergy is a wholly-owned subsidiary of TCMA.

The existing directors of TC Sunergy are Chow Kai Ming and Tan Teow Chang.

6. Salient Terms of the SSA

(i) Share Capital Structure

Pursuant to the SSA, TCMA, APMSA and TCIM have agreed to subscribe for a total of 999,998 new ordinary shares in TC Sunergy for a total subscription consideration of RM999,998/- in the agreed proportion together with all rights and benefits attached thereto and all distributions, rights, and other entitlements declared, paid or made in respect thereof as from the date of issuance of the subscription shares. Subject to the terms of the SSA, the

issued share capital of TC Sunergy may be increased at any time and from time to time in such manner as may be prescribed by the SSA.

Following the subscription, the shareholding of TC Sunergy shall become as follows:

Capital Structure Before the Subscription

Shareholder	Percentage of Shareholding	Number of Ordinary Shares	Issued Share Capital
TCMA	100%	2	RM2/-

Capital Structure After the Subscription

Shareholders	Percentage of Shareholding	Number of Ordinary Shares	Initial Issued Share Capital
TCMA	51%	510,000	RM 510,000/-
APMSA	40%	400,000	RM 400,000/-
TCIM	9%	90,000	RM 90,000/-
Total	100%	1,000,000	RM1,000,000/-

(ii) Board Composition

The number of directors entitled to be nominated and appointed to the board of TC Sunergy by the respective shareholders after the subscription shall be as follows:

Shareholders	Number of Directors on the Board of TC Sunergy
TCMA	3 directors
APMSA	2 directors
TCIM	1 director

(iii) Payment of Subscription Shares and Completion Date

The parties shall make full payment of the subscription consideration to TC Sunergy in cash no later than 15 days from the date of execution of the SSA, or such other date as may be agreed by the parties in writing.

(iv) Source of Funding

The Proposed Subscription by TCMA in TC Sunergy will be financed by internally generated funds.

(v) Liabilities to Assumed

Save for liabilities or claims that are incurred by TC Sunergy prior to TCIM and APMSA becoming shareholders in TC Sunergy, there are no liabilities to TCMA arising from the Proposed Subscription.

(vi) Definitive Agreements

The parties agree, acknowledge and undertake to procure and cause TC Sunergy to sign the following agreements which shall form an integral part and govern the implementation and operations of the business of TC Sunergy and the LSSPV Project:

- (a) Solar Power Purchase Agreement with Tenaga Nasional Berhad (“TNB”) (“SPPA”) relating to and regulating the sale and purchase of the solar photovoltaic energy generated by the solar photovoltaic energy facility at Kolam Takungan Air Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan (“Facility”) and delivered to TNB.

- (b) Financing documents with the external financiers relating to the financing for the LSSPV Project.
- (c) Lease agreements with the relevant parties and/or authorities granting TC Sunergy the right to occupy and use the land and water surface of Kolam Takungan Air Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan and the surrounding land.
- (d) Agreements with the appointed contractor in connection with the design, engineering, procurement, construction, installation, testing and commissioning of the Facility.
- (e) Agreements with the appointed operation and maintenance contractor in connection with the provision of services for the operation and maintenance of the Facility.
- (f) Any such other agreements relevant and required to be executed for the operations of the Facility and implementation of the LSSPV Project.

7. Agreed Duration

The SSA shall commence on the date of its execution by the parties and, unless terminated in accordance with the terms therein, shall continue for so long as the SPPA shall remain valid and subsisting including any renewal or extension thereof.

8. Basis of Arriving At and Justification for the Subscription Consideration

The subscription consideration was arrived at on a willing-buyer willing-seller basis and after having taken into consideration the rationale and benefits for the Proposed Subscription as set out in Section 9 of this announcement.

9. Rationale and Benefits for the Proposed Subscription and Prospects

The Proposed Subscription aims to allow the parties to collaborate for the purposes of consolidating their respective strengths in the renewable energy business venture and to explore additional areas of cooperation with the objective of enhancing values of the respective parties.

The LSSPV Project will enable TCMH Group to diversify the sources of income of TCMH Group with the steady income stream from the sale of renewable energy to the national grid, and reduce its carbon footprint supporting the Government's initiatives to encourage the use of green energy.

10. Risk Factors

The Proposed Subscription is not expected to materially change the business risk profile of TCMH Group as it is viewed as a strategic investment and complements the existing businesses of the broader TCMH Group. However, as with any business venture, the Proposed Subscription is subject to inherent risk in business and industry, including but not limited to:

(i) Construction Risk

The selection of a reliable engineering, procurement, construction and commissioning solar contractor with the requisite experience and track record in building, completing and commissioning large scale solar projects is a pre-requisite for the project's success.

(ii) Operations and Maintenance Risk

The employment of the right operation and maintenance provider is critical for the success and support of the plant's operation and maintenance. Spare parts and maintenance will be a major part of the operational cost.

(iii) Financial Risk

The LSSPV Project may be subject to various financial risks including, amongst others, cost overrun, adverse foreign exchange movements and project completion delays.

(iv) Regulatory Risk

The securing of all the necessary regulatory approvals prior to the commencement of works.

(v) Dependence on the Engineering, Procurement, Construction and Commissioning ("EPCC") Contractor

TC Sunergy will appoint an EPCC contractor to undertake the LSSPV Project on a turnkey basis and hence is heavily dependent on the performance of the EPCC contractor to ensure that the LSSPV Project can achieve commercial operations within budget and on a timely manner. Taking cognisance of the important role of the EPCC contractor, the management will exercise due care in selecting a reputable and competent EPCC contractor for the LSSPV Project. In addition, the management will also ensure the construction and operation of the floating solar plant and the related facilities are in compliance with the project specifications and regulatory requirements by engaging an engineering consultancy company who is experienced in floating solar projects for the role of Owner's Engineer. The management will also engage a Project Manager with extensive experience in floating solar projects.

(vi) Unexpected Increase in Project Costs

The LSSPV Project costs comprising mainly the solar photovoltaic ("PV") modules, inverters and floats were estimated at the time of bidding and may vary due to various factors, including foreign currency fluctuations and changes in material costs, during the construction period. Any adverse change in such costs or construction delays may result in cost overruns which will have a negative impact on the overall project returns.

Nonetheless, the management had allocated contingency costs against any unfavourable changes to the LSSPV Project costs.

(vii) Performance of the Solar PV Systems

Any lower energy generation due to the underperformance of the solar PV systems will deteriorate the overall plant performance and thereby adversely affecting the financial performance of the LSSPV Project. The management will only source the solar PV systems from reputable tier-1 suppliers and ensure that the EPCC contract will include a guarantee on the performance ratio with the optimal warranty period.

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

11. Financial Effects

The Proposed Subscription is not expected to have any material effect on the earnings per share, net assets per share and gearing of TCMH Group for the financial year ending 31 December 2021, and has no effect on the share capital of TCMH and shareholdings of its substantial shareholders. However, the LSSPV Project is expected to contribute positively to the future earnings of TCMH Group.

12. Approval Required

The Proposed Subscription is not subject to the approval of the shareholders of TCMH or any relevant government authorities.

13. Estimated Timeframe for Completion

Barring any unforeseen circumstances, the Proposed Subscription is expected to be completed no later than 15 days from the date of execution of the SSA or such other date as may be agreed in writing between TCMA, APMSA and TCIM.

14. Related Party Transaction and Percentage Ratio

The Proposed Subscription 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 eventual TCMA's equity participation in TC Sunergy pursuant to Paragraph 10.02(g) of the Listing Requirements is 0.4307%, which is based on the latest audited consolidated financial statements of TCMH for the financial year ended 31 December 2020.

15. Interest of Directors, Major Shareholders and/or Persons Connected

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 Proposed Subscription:

- (i) Tan Chong Consolidated Sdn. Bhd. ("TCC"), is a major shareholder of TCMH, APM and WTCH.
- (ii) Dato' Tan Heng Chew, is a Director of TCMH and TCMA and a major shareholder of TCMH by virtue of his direct and indirect interest, through his interests in TCC, and Wealthmark Holdings Sdn. Bhd. and interest of spouse and children. Dato' Tan Heng Chew is also a Director and major shareholder of APM and WTCH.
- (iii) Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng, a Director of TCMH, is a person connected with Dato' Tan Heng Chew.
- (iv) Tan Eng Soon is a major shareholder of TCMH by virtue of his interests in TCC. Tan Eng Soon is also a major shareholder of APM and WTCH.
- (v) Lee Min On is an Independent Director of TCMH, APM and WTCH.
- (vi) Tan Keng Meng is a Director of TCMA, WTCH and TCIM. He also holds executive functions in certain subsidiary companies of TCMH.

- (vii) Datuk Abdullah Bin Abdul Wahab is a shareholder of Tina Motor Sdn. Bhd. which has 30% shareholding in TCMA and is an Independent Director of WTCH.

Being Directors who are deemed to be interested in the Proposed Subscription, Dato' Tan Heng Chew, Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng, Mr Lee Min On, Tan Keng Meng and/or person connected with them have abstained and will continue to abstain from deliberating and voting on the resolution(s) in respect of the Proposed Subscription at the relevant meetings of the Board of TCMH and TCMA, where applicable.

16. Transactions with the Same Related Parties for the Preceding 12 Months

Other than the subscription consideration, the total amount transacted between TCMH and its subsidiaries ("TCMH Group") and the same related party, namely APM and its subsidiaries ("APM Group") and WTCH and its subsidiaries ("WTCH Group"), for the preceding 12 months amounted to RM26,256,000/- and RM93,996,000/- respectively. The amount disclosed was in respect of recurrent related party transactions entered with APM Group and WTCH Group respectively for the period from 1 May 2020 to 30 April 2021 for which TCMH shareholders' mandate had been obtained.

17. Statement by Audit Committee

The Audit Committee of TCMH (except for Mr Lee Min On who abstained from deliberating on the Proposed Subscription, having considered all aspects of the Proposed Subscription, is of the opinion that the Proposed Subscription is in the best interest of TCMH Group, fair, reasonable and on normal commercial terms not detrimental to the interest of the minority shareholders of TCMH Group.

18. Directors' Statement

The Board of Directors of TCMH (except for the interested Directors as disclosed under Section 15 above) having considered all aspects of the Proposed Subscription, is of the opinion that the Proposed Subscription is in the best interest of TCMH Group.

19. Documents for Inspection

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

This announcement is dated 18 June 2021