

APM AUTOMOTIVE HOLDINGS BERHAD (“APM” OR “THE COMPANY”)

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

1. INTRODUCTION

Further to the Company’s announcement dated 15 March 2021, the Board of Directors of APM Automotive Holdings Berhad (“APM” or “the Company”) wishes to announce that APM Shock Absorbers Sdn. Bhd. (“APMSA”), a wholly-owned subsidiary of APM, has on 18 June 2021 entered into a Subscription and Shareholders’ Agreement (“Shareholders’ Agreement”) with Tan Chong Motor Assemblies Sdn. Bhd. (“TCMA”), a 70% owned subsidiary of Tan Chong Motor Holdings Berhad (“TCMH”), TCIM Sdn. Bhd. (“TCIM”), a wholly-owned subsidiary of Warisan TC Holdings Berhad (“WTCH”), and TC Sunergy Sdn. Bhd. (“TC Sunergy”), an indirect subsidiary of TCMH, to regulate the relationship of the parties as shareholders through equity participation by TCMA, APMSA and TCIM via 51%, 40% and 9% of all the ordinary issued and paid-up shares respectively in TC Sunergy (“Proposed Equity Participation”) for the development, construction and commissioning of a 20MW large scale floating solar photovoltaic system on the water surface of a reservoir known as “Kawasan Kolam Takungan Air Serendah” Daerah Ulu Selangor, Selangor Darul Ehsan and a part of its surrounding area (“LSS Project”).

2. DETAILS OF THE SHAREHOLDERS’ AGREEMENT

2.1 Information of TCMA, APMSA, TCIM and TC Sunergy

(a) TCMA

TCMA [Registration. No. 197401001391 (18428-D)] is a private limited company incorporated in Malaysia on 7 May 1974 and has an issued share capital of RM2,000,000.00 comprising 2,000,000 ordinary shares. TCMA is a 70%-owned subsidiary of TCMH and is principally engaged in the business of assembly of motor vehicles.

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.

(b) APMSA

APMSA [Registration No. 198001006268 (60052-P)] is a private limited company incorporated in Malaysia on 9 July 1980 and has an issued share capital of RM20,000,000.00 comprising 20,000,000 ordinary shares. APMSA is a wholly-owned subsidiary of APM and is principally engaged in the business of manufacturing and sale of shock absorbers and related component parts.

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

(c) TCIM

TCIM [Registration No. 198301007572 (102797-A)] is a private limited company incorporated in Malaysia on 16 June 1983 and has an issued share capital of RM43,896,000.00 comprising 43,366,000 ordinary shares. TCIM is a wholly-owned subsidiary of Warisan and 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 existing Directors of TCIM are Tan Keng Meng, Wong King Yoon, Yeap Ling Weng, Lee King Soon, Tan Soon Huat and Ang Lay Bee.

(d) 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.

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

For the financial year ended 31 December 2020, TC Sunergy recorded audited net profit after tax of RM14,402.00 and capital deficiency of RM49.00.

As at 31 March 2021, the unaudited Net Assets value of TC Sunergy was RM2.00, represented by the issued share capital of RM2.00 comprising two (2) ordinary shares. TC Sunergy is a wholly-owned subsidiary of TCMA.

TC Sunergy will be the joint venture vehicle for the LSS Project.

2.2 Salient Terms of the Shareholders' Agreement

The salient terms of the Shareholders' Agreement are, amongst others, as follows:

(a) Share Capital Structure

Pursuant to the Shareholders' Agreement, TCMA, APMSA and TCIM (collectively referred to as "**Parties**" or "**Shareholders**") have agreed to subscribe for a total of 999,998 new ordinary shares in TC Sunergy ("**Subscription Shares**") for cash at a subscription price of RM1.00 per share ("**Subscription Consideration**") as the initial share capital of TC Sunergy in accordance with the agreed subscription proportion as set out in the Shareholders' Agreement, details of which are as follows, 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:

| Shareholder | Number of New Ordinary Shares | Percentage of Shareholding | Subscription Consideration (RM) |
|--------------------|--------------------------------------|-----------------------------------|--|
| TCMA | 509,998 | 51% | 509,998.00 |
| APMSA | 400,000 | 40% | 400,000.00 |
| TCIM | 90,000 | 9% | 90,000.00 |

TC Sunergy is projected to have an issued share capital of RM24,000,000.00 eventually with additional capital injection from the Parties in accordance with the agreed proportion as set out in the Shareholders' Agreement from time to time.

Following the issuance of the Subscription Shares, the shareholding of TC Sunergy shall be as follows:

Capital Structure Before Proposed Equity Participation

| Shareholder | Percentage of Shareholding | Number of Ordinary Shares | Issued Share Capital (RM) |
|-------------|----------------------------|---------------------------|---------------------------|
| TCMA | 100% | 2 | 2.00 |

Capital Structure After Proposed Equity Participation

| Shareholders | Percentage of Shareholding | Number of Ordinary Shares | Issued Share Capital (RM) |
|--------------|----------------------------|---------------------------|---------------------------|
| TCMA | 51% | 510,000 | 510,000.00 |
| APMSA | 40% | 400,000 | 400,000.00 |
| TCIM | 9% | 90,000 | 90,000.00 |
| TOTAL | 100% | 1,000,000 | 1,000,000.00 |

The issued capital of TC Sunergy may be increased at any time and from time to time in such manner as may be prescribed by the Shareholders' Agreement.

(b) Board Composition

The Shareholders shall be entitled to nominate the appointment of Directors to the Board as follows:

| Shareholders | No. of Directors on the Board of TC Sunergy |
|--------------|---|
| TCMA | 3 Directors |
| APMSA | 2 Directors |
| TCIM | 1 Director |

(c) Payment of Subscription Shares and Completion Date

The Parties shall pay for the Subscription Consideration in full to TC Sunergy in cash no later than fifteen (15) days from the date of execution of the Shareholders' Agreement, or such other date as may be agreed by the Parties in writing.

(d) Source of Funding

The subscription of shares by APMSA in the capital of TC Sunergy will be financed by internally generated funds.

(e) Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Company arising from the Shareholders' Agreement.

(f) Definitive Shareholders' Agreement

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 LSS Project:

- (i) 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 deliver to TNB;
- (ii) Financing documents with the external financiers relating to the financing for the LSS Project;
- (iii) 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;
- (iv) Agreements with the appointed contractor in connection with the design, engineering, procurement, construction, installation, testing and commissioning of the Facility;
- (v) Agreements with the appointed operation and maintenance contractor in connection with the provision of services for the operation and maintenance of the Facility; and
- (vi) Any such other agreements relevant and required to be executed for the operations of the Facility and implementation of the LSS Project.

(g) Agreed Duration

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

3. Basis of Arriving at and Justification

The Subscription Consideration was arrived at on a willing-buyer willing-seller basis and after having taken into consideration the rationale and benefits as set out in Section 4 below.

4. RATIONALE AND BENEFITS OF THE PROPOSED EQUITY PARTICIPATION

The Shareholders' Agreement presents an opportunity for the Parties to collaborate via TC Sunergy for purpose 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.

This could subsequently create additional revenue stream to enhance APM Group's business growth and shareholders' value. The LSS Project will also enable APM Group to reduce its carbon footprint thus supporting the Government's initiatives to encourage the use of green energy.

5. RISK FACTORS

The Shareholders' Agreement may potentially expose the Company to economic and operational risks that often accompany such business.

6. FINANCIAL EFFECTS

6.1 Earnings, Net Assets and Gearing

The Shareholders' Agreement is not expected to have any material effect on the earnings per share, net assets per share and gearing of APM Group for the financial year ending 31 December 2021.

6.2 Share Capital and Substantial Shareholders' Shareholdings

The Shareholders' Agreement will have no effect on the share capital and substantial shareholders' shareholdings of APM as the Shareholders' Agreement does not involve any issuance of securities of the Company.

7. APPROVAL REQUIRED

The Shareholders' Agreement is not subject to the approval of the shareholders of the Company or regulatory authorities.

8. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Subscription Shares is expected to be completed no later than 15 days from the date of execution of the Shareholders' Agreement or such other date as may be agreed by the Parties in writing.

9. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Save for the following Directors and major shareholders of the Company, none of other Directors or major shareholders or persons connected to them, has any interest, direct or indirect, in the SSA:

- (i) Tan Chong Consolidated Sdn. Bhd. ("TCC"), is a major shareholder of the Company by virtue of its direct interest in the Company. TCC is also a major shareholder of TCMH and WTCH;
- (ii) Dato' Tan Heng Chew, is a Director and major shareholder of the Company, by virtue of his direct and indirect interests, through his interests in TCC, Wealthmark Holdings Sdn. Bhd. and interest of spouse. Dato' Tan is also a Director TCMH, TCMA and major shareholder of TCMH and WTCH via his direct and indirect interests in TCMH and WTCH;
- (iii) Mr. Tan Eng Soon is a major shareholder of the Company by virtue of his interests in TCC. Mr. Tan Eng Soon is also a major shareholder of TCMH and WTCH via his interests in TCC;
- (iv) Dato' Tan Eng Hwa is a Director, person connected to Dato' Tan Heng Chew and deemed interested by virtue of his direct and/or indirect interests in APM, TCMH and WTCH pursuant to Section 8 of the Companies Act, 2016; and
- (v) Mr. Lee Min On, an Independent Non-Executive Director of the Company, is also an Independent Non-Executive Director of TCMH and WTCH. Mr. Lee does not have any interests, directly or indirectly in APM, TCMH and WTCH.

10. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Other than the Subscription Consideration, the total amount transacted between APM and its subsidiary companies ("APM Group") and the following related parties for the preceding 12 months are set out below:

| No. | Name of related party | Transaction value (RM'000) |
|-----|--|----------------------------|
| 1. | TCMH and its subsidiaries ("TCMH Group") | 23,485 |
| 2. | WTCH and its subsidiaries ("WTCH Group") | 2,673 |

The amount disclosed was in respect of recurrent related party transactions entered with the TCMH Group and WTCH Group for the period from 1 May 2020 to 30 April 2021 for which the APM shareholders' mandate had been obtained.

11. RELATED PARTY TRANSACTION AND PERCENTAGE RATIO

The Shareholders' Agreement 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 APMSA's equity participation of RM9.6 million in TC Sunergy pursuant to Paragraph 10.02(g) of the Listing Requirements is 0.73%, which is based on the latest audited consolidated financial statements of APM for the financial year ended 31 December 2020.

12. STATEMENT BY AUDIT COMMITTEE

The Audit Committee of APM (except for Lee Min On, who abstained from deliberating on the Shareholders' Agreement), after having considered all aspects of the Shareholders' Agreement, is of the opinion that the Shareholders' Agreement is:

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

13. STATEMENT BY DIRECTORS

The Board of Directors of APM (except for the interested Directors as disclosed under Section 9 above), having considered all aspects of the Shareholders' Agreement, is of the opinion that the Shareholders' Agreement is in the best interest of APM Group.

14. INSPECTION OF DOCUMENTS

The Shareholders' Agreement 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.