

TAN CHONG MOTOR HOLDINGS BERHAD

Registration no. 197201001333 (12969-P)

(Incorporated in Malaysia)

SUBSCRIPTION AND SHAREHOLDERS' AGREEMENT BETWEEN TC CAPITAL RESOURCES SDN BHD AND TCCL SDN BHD, BOTH WHOLLY-OWNED SUBSIDIARIES OF TAN CHONG MOTOR HOLDINGS BERHAD, WITH WARISAN TC HOLDINGS BERHAD AND MUV MARKETPLACE SDN BHD

1. Introduction

The Board of Directors of Tan Chong Motor Holdings Berhad ("TCMH") wishes to announce that TC Capital Resources Sdn Bhd ("TCCR") and TCCL Sdn Bhd ("TCCL"), both wholly-owned subsidiaries of TCMH, had on 29 May 2020 entered into a Subscription and Shareholders' Agreement ("Agreement") with Warisan TC Holdings Berhad ("WTCH") and MUV Marketplace Sdn Bhd ("MUV"), a wholly-owned subsidiary of WTCH, for TCCR and TCCL to regulate the relationship of the parties as shareholders through equity participation by TCCR and TCCL in MUV by the subscription of 243,750 new ordinary shares for a total cash subscription consideration of RM7,500,187.50 by TCCR and TCCL respectively in MUV as depicted below ("Proposed Subscription"):

Company	No. of New Ordinary Shares	Percentage of Shareholding	Price Per New Ordinary Share	Subscription Consideration
TCCL Sdn. Bhd.	243,750	7.89%	RM30.77	RM7,500,187.50
TC Capital Resources Sdn. Bhd.	243,750	7.89%	RM30.77	RM7,500,187.50

2. Information on TCCR

TCCR is a private limited company incorporated in Malaysia on 30 December 2004 and has an issued share capital of RM200,000,000.44 comprising 174,626,866 ordinary shares. TCCR is principally engaged in the business of provision of hire purchase financing, leasing, money lending and transport agent services.

The existing directors of TCCR are Wan Chun Shong, Dato' Ng Mann Cheong, Nicholas Tan Chye Seng, Siew Kah Toong, Kong Foo Weng, Tan Soon Huat and Dato' Hardev Singh A/L Pritam Singh.

3. Information on TCCL

TCCL is a private limited company incorporated in Malaysia on 2 May 1985 and has an issued share capital of RM17,147,090 comprising 17,117,000 ordinary shares. TCCL is principally engaged in the business of provision of insurance agency services.

The existing directors of TCCL are Nicholas Tan Chye Seng, Wong Seap Hong, Say Teck Ming, Yeap Ling Weng and Koh Lay Hoon.

4. 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 and car sharing, 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.

The existing directors of WTCH are Dato' Tan Heng Chew, Tan Keng Meng, Chin Ten Hoy, Datuk Abdullah bin Abdul Wahab, Dato' Chong Kwong Chin and Lee Min On.

The existing substantial shareholders of WTCH and their direct and indirect shareholdings in WTCH are as follows:

No.	Name	Direct No. of Shares Held	% (1)	Indirect No. of Shares Held	% (1)
1.	Tan Chong Consolidated Sdn Bhd	23,446,509	36.02	-	-
2.	Dato' Tan Heng Chew	4,321,033	6.64	27,844,509	42.77 (2)
3.	Wealthmark Holdings Sdn Bhd	4,398,000	6.76	-	-
4.	Tan Eng Soon	-	-	23,446,509	36.02 (3)

Notes:

- (1) Percentage is based on total number of issued shares less treasury shares.
(2) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.
(3) Deemed interest by virtue of interest in Tan Chong Consolidated Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

5. Information on MUV

MUV is a private limited company incorporated in Malaysia on 5 December 1992 and has an issued share capital of RM2,600,000 comprising 2,600,000 ordinary shares, all of which are held by WTCH.

MUV is engaged primarily in the business of provision of used vehicles auction services and vehicles inspection and certification, and trading of used vehicles ("Business"), which also owns and operates several online platforms to support its Business that includes but not limited to allowing the public to sell, bid and/or purchase used vehicles.

The existing directors of MUV are Tan Keng Meng, Chin Ten Hoy, Nicholas Tan Chye Seng, Goh Kar Hua, Dato' Hardev Singh A/L Pritam Singh, Lee Kin Hong, Kong Hon Khien and Desmond Hang Chai Wei.

For the financial year ended 31 December 2018, MUV recorded audited net loss after tax of RM7,229,178 and capital deficiency of RM18,327,831.

6. Salient Terms of the Agreement

(i) Share Capital Structure

Pursuant to the Agreement, TCCR and TCCL have agreed to subscribe for 243,750 new ordinary shares each in MUV 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 Completion Date, for a total cash consideration of RM7,500,187.50 respectively (i.e. at a subscription price of RM30.77 per share) to be paid in full no later than 30 days from the date of the Agreement ("Subscription Consideration"). Following the subscription, the shareholding of MUV shall become as follows:

Capital Structure Before the Subscription

Shareholder	Percentage	Number of Shares	Issued Share Capital (RM)
WTCH	100%	2,600,000	2,600,000.00

Capital Structure After the Subscription

Shareholder	Percentage	Number of Shares	Issued Share Capital (RM)
WTCH	84.210%	2,600,000	2,600,000.00
TCCR	7.895%	243,750	7,500,187.50
TCCL	7.895%	243,750	7,500,187.50
TOTAL	100.000%	3,087,500	17,600,375.00

(ii) Board Composition

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

Shareholder	No. of Directors on the Board of MUV
WTCH	7 Directors
TCCR	1 Director
TCCL	1 Director

7. Basis of Arriving At and Justification for the Subscription Consideration and Prospects

The Subscription Consideration was arrived at on a willing-buyer willing-seller basis and after having taken into consideration, among others, the following:

- (i) The future growth prospects of MUV as one of the main online platforms for used car segment.
- (ii) The rationale and benefits for the Proposed Subscription as set out in Section 8 of this Announcement.
- (iii) The independent valuation of the enterprise value of MUV as performed by an independent valuer appointed by TCMH, namely PricewaterhouseCoopers Advisory Services Sdn Bhd. Based on the valuation analysis performed and premised upon the underlying assumptions used in the valuation exercise, the indicative range of the potential enterprise value of MUV as at 1 January 2020 ranges from RM89.05 million to RM101.09 million.

Separately, the Board of Directors of WTCH has appointed FHMH Corporate Advisory Sdn Bhd to perform an independent valuation of MUV.

8. Rationale and Benefits for the Proposed Subscription

The Proposed Subscription is to enable TCCL and TCCR and the broader Tan Chong Group of businesses to generate synergies with MUV by offering the following products and services to the end-consumer market, thereby creating a one-stop center for the used car end-consumer market:

- (i) TCCR could provide hire purchase financing to MUV's current dealer panel network;
- (ii) TCCL could facilitate the provision of insurance and extended warranty offerings to MUV's dealer panel network and end consumer buyers; and
- (iii) Cross-selling of car services and spare parts by the Tan Chong Group of Companies to the used car end-consumer market.

9. Risk Factors

The Proposed Subscription is not expected to materially change the business risk profile of TCMH Group (as defined herein below) 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 those associated with the changes in the market, economic, political and regulatory conditions.

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

10. Financial Effects

The Proposed Subscription will be financed by internally generated funds and 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 2020, and has no effect on the share capital of TCMH and shareholdings of its substantial shareholders.

11. Approval Required

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

12. Estimated Timeframe for Completion

Barring any unforeseen circumstances, the Proposed Subscription is expected to be completed by the second quarter of year 2020 or such other date as may be agreed in writing between WTCH, TCCL and TCCR.

13. 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 Proposed Subscription pursuant to Paragraph 10.02(g) of the Listing Requirements is 2.05%, which is based on the latest audited consolidated financial statements of TCMH for the financial year ended 31 December 2018.

14. 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 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’ (Dr.) 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 Nicholas Tan Chye Seng, a Director of TCCR, TCCL and MUV, is a person connected with Dato’ Tan Heng Chew pursuant to Section 197 of the Companies Act 2016.
- (iv) Mr Lee Min On is an Independent Director of TCMH and 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 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, TCCR and TCCL (where applicable).

15. 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 RM41,877,000. The amount disclosed was in respect of recurrent related party transactions entered with the WTCH Group for the period from 1 May 2019 to 30 April 2020 for which the TCMH shareholders’ mandate had been obtained.

16. 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.

17. Directors' Statement

The Board of Directors of TCMH (except for the interested Directors as disclosed under Section 14 above) having considered all aspects of the Proposed Subscription, is of the opinion that the Proposed Subscription is in the best interest of the TCMH Group.

18. Documents for Inspection

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 business hours from Mondays to Fridays (except for public holidays) for a period of three (3) months from the date of this announcement:

- (i) the Agreement.
- (ii) the valuation report dated 21 February 2020 from PricewaterhouseCoopers Advisory Services Sdn Bhd.

This announcement is dated 29 May 2020.