

TH HEAVY ENGINEERING BERHAD (“THHE” OR THE “COMPANY”)

STRATEGIC COLLABORATION AGREEMENT BETWEEN THHE, TELLUS ASIA SDN BHD AND ENIGMA SOLUTION SDN BHD

1. INTRODUCTION

The Board of Directors of THHE (“**Board**”) wishes to inform that the Company had on 8 June 2022 entered into a strategic collaboration agreement (“**Agreement**”) with TELLUS ASIA SDN BHD (“TELLUS ASIA”) and ENIGMA TECHNICAL SOLUTION SDN BHD (“ENIGMA”), in relation to exploring a potential collaboration between the Parties (“Potential Collaboration”) in jointly pursuing potential shipbuilding and ship repair projects as well as in support services (“ISS”) for maritime sector (“Potential Project” or “Potential Projects”).

2. INFORMATION ON TELLUS ASIA SDN BHD AND ENIGMA SOLUTION SDN BHD

TELLUS ASIA was incorporated in Malaysia on 8 March 2017 as a private limited company under the Companies Act, 2016. TELLUS ASIA is a company engaged in the business of shipbuilding and ship repair, in both the public and private sectors.

ENIGMA was incorporated in Malaysia on 30 May 2014 as a private limited company under the Companies Act, 1965. ENIGMA is an expert in technical, project and contract management, consultancy, training and Integrated Logistics Support (“ILS”) especially in the defence, marine and industrial sectors

3. RATIONALE OF THE AGREEMENT

The Agreement allows the Company, TELLUS ASIA and ENIGMA (“the Parties”) to memorialize the intention of the Parties to explore and discuss the potential areas of collaboration and cooperation and the respective roles and obligations of the Parties related to any particular Project, in a manner that will be mutually beneficial to the Parties, including entering into a definitive formal agreement to implement the Potential Collaboration or to set up a joint-venture company to jointly undertake a Potential Project.

4. SALIENT TERMS OF THE AGREEMENT

4.1 Scope of Agreement

4.1.1 The Agreement is intended to define the way in which the Parties will work together in order to develop the terms of the Potential Collaboration and, subject to a definitive agreement referred to in Article 1.6, to jointly undertake a particular Project.

4.1.2 Immediately after the execution of this Agreement or as soon as possible thereafter, the Parties will:

- (a) discuss, evaluate and assess the feasibility of a Potential Collaboration including the details thereof for which purpose the Parties shall periodically meet to discuss and exchange information on and for the Potential Collaboration;

TH HEAVY ENGINEERING BERHAD (“THHE” OR “COMPANY”)

STRATEGIC COLLABORATION AGREEMENT BETWEEN THHE, TELLUS ASIA SDN BHD AND ENIGMA SOLUTION SDN BHD – *cont’d*

- (b) discuss, develop and agree on the details of the Potential Collaboration including the appropriate arrangements to be put in place, including the business model, of the Potential Collaboration, the business and contractual structure of the Potential Collaboration and the commercial terms and conditions thereof to be incorporated into a definitive agreement to be entered into by the Parties in respect of the Potential Collaboration; and
 - (c) discuss, develop and agree on the approach to be taken in executing the Project being the object of the Potential Collaboration and in meeting the funding requirements for the Project.
- 4.1.3 The Parties will use their best endeavours to decide within sixty (60) days of completing the evaluation and assessment of the feasibility of a Potential Collaboration whether or not to proceed with the implementation of the Potential Collaboration and shall notify each other in writing of its decision.
- 4.1.4 If the Parties decide to proceed with the implementation of the Potential Collaboration including the setting up of a joint-venture company (“JVCo”), the Parties shall use their best endeavours to conclude an appropriate definitive agreement in respect thereof and execute the said agreement within ninety (90) days from the date of the Parties’ decision to proceed.
- 4.1.5 The Agreement is non-exclusive and the Parties are free to discuss with other parties or bid for or make any proposal in relation to any project, including a Project envisaged by the Parties hereunder, either on its own or in concert with other parties, during the term of this Agreement.
- 4.2 Term and termination**
 - 4.2.1. The Parties agree that the Agreement shall be effective from the date of the Agreement and thereafter for a period of six (6) months or until such time as a Potential Project has been awarded to any of the Parties or the JVCo, whichever is the earlier (hereinafter referred to as “the Term”).
 - 4.2.2. The Term may be extended for such further period subject to mutual agreement of the Parties.
 - 4.2.3. Notwithstanding anything contained in the Agreement, the Parties may, with or without cause, terminate or withdraw from the Agreement prior to the expiry of the Term or any extension thereto by giving the other Party not less than thirty (30) days written notice.

TH HEAVY ENGINEERING BERHAD (“THHE” OR “COMPANY”)

STRATEGIC COLLABORATION AGREEMENT BETWEEN THHE, TELLUS ASIA SDN BHD AND ENIGMA SOLUTION SDN BHD – *cont’d*

4.2.4. Notwithstanding but without prejudice to Article 8.3, the Agreement shall terminate upon the first to occur of any of the following:

- (a) the coming into force of a definitive agreement between the Parties pursuant to Article 1 of this Agreement;
- (b) in the event of a material breach by either of the Parties;
- (c) if a force majeure event, as defined in Article 7.1 of the Agreement, lasts more than a continuous period of thirty (30) days; and
- (d) by unanimous agreement of the Parties.

5. EFFECTS OF THE AGREEMENT

The Agreement is not expected to have any effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders’ shareholding of the Company for the financial year ending 31 December 2022.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors and/or major shareholders of THHE and/or persons connected to them have any interest, direct or indirect, in the Agreement.

7. DIRECTORS’ STATEMENT

The Board, having considered all aspects of the Agreement, is of the view that the Agreement is in the best interest of the Company.

8. APPROVALS REQUIRED

The Agreement is not subject to the approval of the shareholders of THHE or any regulatory authorities.

9. DOCUMENTS FOR INSPECTION

The Agreement is available for inspection at THHE’s registered office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan during normal office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 9 June 2022.