

TURBO-MECH BERHAD (“TURBO” OR “THE COMPANY”)

- (1) TERMINATION AND VARIATION AGREEMENT ENTERED INTO BETWEEN BROOK CROMPTON SERVICE TECHNOLOGY PTE LTD, TURBO-MECH ASIA PTE LTD AND ZHEJIANG IMOTORLINX TECHNOLOGY CO., LTD; AND
- (2) LICENCE AGREEMENT ENTERED INTO BETWEEN THE JOINT VENTURE COMPANY, NAMELY BROOK-TM SERVICES TECHNOLOGY PTE. LTD. AND ZHEJIANG IMOTORLINX TECHNOLOGY CO., LTD

(COLLECTIVELY AS “AGREEMENTS”)

1. INTRODUCTION

Reference is made to the following announcements of the Company:-

- (i) the announcement dated 10 November 2023 relating to its wholly-owned subsidiary, Turbo-Mech Asia Pte Ltd (“**TMA**”), having entered into a memorandum of understanding on 10 November 2023 with Brook Crompton Service Technology Pte Ltd (“**BCST**”) and Zhejiang iMotorLinx Technology Co., Ltd (“**iMotor**”) (collectively as “**Parties**” and any one of them as “**Party**”).
- (ii) the announcements dated 4 December 2023 relating to TMA having entered into a joint venture agreement (the “**JVA**”) on 1 December 2023 with BC and iMotor.

Pursuant to the JVA, the Parties had agreed to incorporate a joint venture company, namely Brook-TM Services Technology Pte. Ltd. (the “**JVC**”), in the shareholding proportion of 45% (TMA), 45% (BCST), and 10% (iMotor) respectively, to undertake projects and provision or sale of the products and services throughout ASEAN (the “**JV**”) with respect to (i) full service electric motor and rotating equipment, (ii) IOT smart full life cycle solution and (iii) engineering and retrofit solution for energy saving (the “**Products and Services**”).

The Board of Directors of Turbo wishes to announce that iMotor is now desirous of exiting the JV and terminating the JVA with respect to itself. Pursuant thereto and in furtherance thereof, the Parties have executed a termination and variation agreement on 8 February 2024 (the “**Agreement Date**”) to effect the termination of the JVA with respect to iMotor as well as amend the JVA accordingly (the “**Termination and Variation Agreement**”). Concurrently, iMotor and the JVC have also entered into a licence agreement on 8 February 2024 (the “**Licence Agreement**”) between iMotor as licensor and the JVC as licensee.

2. SALIENT TERMS OF THE TERMINATION AND VARIATION AGREEMENT

2.1 Exit of iMotor from the JV

Pursuant to the Termination and Variation Agreement, Parties agreed that iMotor shall exit the JV and terminate the JVA with respect to iMotor only. Accordingly, iMotor shall cease to be a party to the JVA with effect from the Agreement Date and all provisions of the JVA shall cease to apply to iMotor.

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Additionally, with effect from the Agreement Date, each of BCST and TMA shall release and discharge iMotor from all duties and obligations that iMotor may have under the JVA, except for any breach of the JVA by iMotor prior to the Agreement Date.

2.2 Updated Financial Arrangements

Following iMotor's exit from the JV, the respective contribution by BCST and TMA to the JVC of an aggregate of S\$3,000,000.00, as consideration for their respective subscription, allotment and issuance of ordinary shares in by the JVC at S\$1.00 per share is updated to the following proportion:-

TMA	: 49%
BCST	: 51%

2.3 Updated Board of Directors

The initial board of directors of the JVC shall now comprise the following:-

- (i) one (1) representative director appointed by TMA; and
- (ii) two (2) representative directors appointed by BCST.

2.4 Licence Agreement

As a condition of iMotor's exit from the JV, iMotor agrees to simultaneously enter into a Licence Agreement with the JVC, details of which are further described in section 3 of this announcement below.

3. SALIENT TERMS OF THE LICENCE AGREEMENT

(a) Grant of Licence

- (i) Pursuant to the Licence Agreement, in consideration of payment of the Licence Fees (defined below) by the JVC, iMotor grants the JVC an exclusive licence to use the Licensor Technology (defined below) within the ASEAN countries (the "Licence") to operate the business of the JVC.
- (ii) The Licence granted herein shall be for an initial period of one (1) year from the 8 February 2024 and thereafter shall be renewable automatically every year (the "Term") unless terminated in accordance with the provisions in the Licence Agreement.
- (iii) iMotor is the sole and exclusive owner of all worldwide right, title and interest in and to the technology of iMotor in respect of the Products and Services, and includes without limitation all platform software, programs and intellectual property rights (the "Licensor Technology"), free and clear of any liens, claims, security interests, encumbrances or demands of third parties;
- (iv) The costs of certain hardware and services relating to the Products and Services and the installation thereof shall be borne between iMotor and the JVC in equal proportions.

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- (v) iMotor shall, among others:-
 - (A) provide the relevant expertise and the technical knowhow in relation to the Products and Services which are necessary for the JVC's running of its business;
 - (B) provide training to the JVC's key operations personnel for the purposes of operating the Licensor Technology for the purposes of the business of the JVC;
 - (C) provide an instruction or operation manual in relation to the use of the Licensor Technology, and such advisory assistance, information, techniques, data, and instructional materials concerning the operations, application, marketing, and standards as iMotor deems advisable;
 - (D) supply the hardware relating to the Products and Services to the JVC for provision to the latter's customers; and
 - (E) provide technical support and assistance to the JVC in relation to the Licensor Technology during the Term.

(b) Licence Fees

- (i) The JVC shall pay iMotor a licence fee on the gross sales revenue received by the former through the sale of the package solutions incorporating or containing the Licensor Technology in respect of the Products and Services (collectively referred to as "Gross Sales") at the rate of five percent (5%) of the Gross Sales on terms set out in the Licence Agreement ("Licence Fees"). Payment of the Licence Fee shall be made on a quarterly basis.
- (ii) The Gross Sales (i) above does not include any goods and services tax or any equivalent tax payable in respect thereof and (ii) shall only include the JVC's sales invoices duly paid by its customers and received by it.

(c) Non-Competition and Non-Solicitation

- (i) During the term of the Licence Agreement and for a period of two (2) years after the termination of the Licence Agreement (the "Restricted Period"), the JVC and iMotor undertake that they shall not and shall procure that their subsidiaries, holding company, subsidiaries of such holding company, any other person directly or indirectly controlling, controlled by, or under common control with each of them, or nominees shall not do or permit to be done the following, among others:
 - (1) either solely or jointly with or on behalf of any person, firm, company, corporation or entity, directly or indirectly carry on, be engaged in or be economically interested in any business in PRC (in the case of the JVC) or ASEAN (in the case of iMotor) respectively which is similar or identical to or in competition with the business of the parties to the Licence Agreement or any part thereof; and

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- (2) engage or employ, or solicit or contact with a view to his or her engagement or employment by another person, a person who is or has been a director, officer, employee, manager or consultant of the parties to the Licence Agreement or their shareholders.

4. RATIONALE

The Board understands that iMotor had decided to exit the JV due to the increasingly stricter regulations and monitoring of foreign investments flowing out of the People's Republic of China ("PRC"). In particular, such investments would need to undergo a complicated and protracted process to apply to and obtain approval from the relevant authorities in the PRC. Consequently, any financial contribution from iMotor may be significantly delayed and Parties have therefore mutually agreed for iMotor to exit the JV in order to avoid causing any delays to the business of the JVC.

The concurrent entry into the Licence Agreement will enable the JVC to leverage on the proprietary technology of iMotor in respect of the Products and Services for purposes of the business operations of the JVC, notwithstanding iMotor's exit from the JV. Additionally, the Licence Agreement will also serve to protect the commercial interests of the JVC.

5. LIABILITIES TO BE ASSUMED BY TURBO

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Company pursuant to the Agreements.

6. PROSPECTS AND RISKS FACTORS RELATING TO THE JV

The Board of Turbo is of the view that the JV provides excellent growth and business prospects for Turbo in the foreseeable future.

The financial risks associated with the JV are expected to be limited to the Company's investment in JVC.

7. FINANCIAL EFFECTS

The JV and Termination and Variation Agreement are not expected to have any material effect on earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of Turbo for the financial year ending 31 December 2024.

8. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE JOINT VENTURE

The highest percentage ratio applicable for the JV and Termination and Variation Agreement pursuant to Paragraph 10.02(g) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 4.3% based on the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2022.

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9. APPROVALS REQUIRED

The JV and Termination and Variation Agreement are not subject to the approval of the shareholders of Turbo.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors, and/or major shareholders of Turbo, and/or persons connected with them, has any interest, direct or indirect, in the JV and Termination and Variation Agreement.

11. STATEMENT BY THE BOARD OF DIRECTORS

The Board having considered all aspects of the JV and Termination and Variation Agreement are of the opinion that the JV and Termination and Variation Agreement are in the best interest of Turbo Group.

12. DOCUMENT AVAILABLE FOR INSPECTION

The Termination and Variation Agreement is available for inspection at the Company's registered office at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia during ordinary business hours from Mondays to Fridays (except on public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 8 February 2024.