

ECONFRAME BERHAD (“ECONFRAME” OR THE “COMPANY”)

INCORPORATION OF EFRAME SOLARTECH SDN BHD, A 60%-OWNED SUBSIDIARY OF ECONFRAME

1. INTRODUCTION

The Board of Directors of Econframe (“**Board of Econframe**”) wishes to announce that the Company had on 17 March 2021, incorporated a 60%-owned subsidiary, namely Eframe Solartech Sdn Bhd (“**Solartech**”) (“**Investment**”). Simultaneous with the incorporation of Solartech, the Company had entered into a shareholders’ agreement (“**Shareholders’ Agreement**”) with Chew Cheng Kiat (“**CCK**”), the holder of the remaining 40% equity interest in Solartech, to regulate their relationship as shareholders of Solartech including the manner in which the business and affairs of Solartech will be managed and operated.

2. DETAILS OF THE INVESTMENT

2.1 Solartech

As at the date of incorporation, Solartech has an issued paid up capital of RM10,000 comprising 10,000 ordinary shares.

The intended principal activity of Solartech is trading and provision of installation services of solar energy products and system.

The shareholdings of the shareholders in Solartech as at the date of incorporation are as follows:

Shareholder	No. of ordinary shares	Share capital	%
		(RM)	
Econframe	6,000	6,000	60
CCK	4,000	4,000	40
Total	10,000	10,000	100

The Board of Directors of Solartech (“**Board of Solartech**”) comprises:

- (a) Lim Chin Horng (as representative of Econframe);
- (b) Khoo Soon Beng (as representative of Econframe); and
- (c) CCK

2.2 CCK

CCK is an entrepreneur who has been involved in the solar power system design, installation and services for more than 10 years. CCK holds a BSc (Hons) in Mechanical Engineering from the University of East London, United Kingdom and is a Chartered Engineer for more than 30 years.

3. SALIENT FEATURES OF THE SHAREHOLDERS' AGREEMENT

3.1 The shareholdings of the shareholders in Solartech shall be maintained at all times in the following proportions:

Shareholder	Percentage of shareholding in Solartech
Econframe	60%
CCK	40%

3.2 The parties have mutually agreed that the number of Directors shall be three (3), comprising two (2) Directors appointed by Econframe, and one (1) Director represented personally by CCK. The Chairman shall be a Director appointed by Econframe.

Obligations of the parties

3.3 The obligations of the parties under the Shareholders' Agreement are as follows:

- (i) Econframe's contribution towards Solartech shall be by way of promoting Solartech as a solar energy products and system reseller and installer in Malaysia, to provide or identify an office space for Solartech to run its business, to support the accounting, management and administration services to Solartech and to provide marketing and operation support as and when required by Solartech.
- (ii) CCK's contribution towards Solartech shall be to lead the installation and commissioning of the solar energy products and system projects secured by Solartech, spearhead the technical management areas and to jointly promote Solartech as a solar energy products and system trader and installer outfit.

Additional funding for Solartech

3.4 In the event Solartech requires additional funding for its business, such additional funding shall be provided by way of:

- (i) further subscription by the parties of further ordinary shares in Solartech; and/or securities (including any preference shares) of any other type that are, or may become, convertible or exchangeable into equity of Solartech or which can be reclassified into equity of Solartech ("Solartech Shares") based on the proportion of their shareholdings in Solartech; and/or
- (ii) loans and other credit facilities from external borrowings from banks, other financial institutions and/or other external parties as may be approved by the Board of Solartech, and/or
- (iii) subject to the approval being obtained from the relevant shareholders' holding company or ultimate holding company, loan(s) or advances from the shareholders, in their respective proportion of shareholdings

or otherwise on such terms as the Board of Solartech may unanimously agree; and/or

- (iv) subject to pre-emptive rights as set out in Clauses 3.6, 3.7 and 3.8 below, other funding arrangement involving the issuance of new Solartech Shares to new investor(s).

Transfer of Solartech Shares

3.5 Subject to transfers to nominees and/or affiliates, each of the shareholder undertakes to and covenants with the other shareholder that it shall not during the terms of the Shareholders' Agreement, sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or encumber any Solartech Shares it owns without the prior written consent of the other shareholder. Failure to comply with this clause will be deemed an event of default.

Pre-emptive rights : issue of new Solartech Shares

3.6 Unless agreed in writing by the shareholders, if Solartech proposes to issue any new Solartech Shares, the new Solartech Shares shall be offered for subscription to the shareholders in their respective proportion of shareholdings.

3.7 In the event any shareholder fails to give notice of its intention to subscribe in full its proportion of shareholdings of the new Solartech Shares within the stipulated period, Solartech shall offer for subscription the new Solartech Shares in respect of the shareholder's rights which was not exercised ("Declined Shares"), at the price and upon the terms and conditions to the other shareholder (who have exercised in full its right to subscribe for the new Solartech Shares).

3.8 If there are any such new Solartech Shares ("Residual Shares") which have not been subscribed for after completing the pre-emption procedure in Clauses 3.6 and 3.7 above, Solartech shall be entitled to offer the Residual Shares to any third-party subscriber(s) or purchaser(s) on terms no more favourable than those offered to the shareholders in Clause 3.6 above. Any Residual Shares not subscribed for by such third-party subscriber(s) or purchaser(s) within the stipulated period shall not be issued without complying once again with the pre-emption procedure of Clauses 3.6 and 3.7 above and so on and so forth.

Right of first refusal

3.9 A shareholder shall not sell, transfer or otherwise part with its beneficial ownership of any Solartech Shares without first making an offer in writing to sell the same to the other shareholder, specifying the price per Solartech Share and the terms and conditions of the sale. Any Solartech Shares not accepted within the offer period will be deemed to have been declined.

3.10 If any Solartech Shares initially offered by a selling shareholder (“**Selling Shareholder**”) have been accepted by the other shareholder within the offer period, the Selling Shareholder shall be bound to sell the Solartech Shares so offered.

3.11 If a Selling Shareholder has complied with Clause 3.10 above and some of the Solartech Shares offered remain unaccepted (“**Unaccepted Shares**”) by the other shareholder at the expiry of the offer period, the Selling Shareholder shall be entitled, from the date of expiry of the offer period, to offer the sale of the Unaccepted Shares to a bona fide and arm’s length third party purchaser(s) at a price and upon terms and conditions not more favourable than those offered to the other shareholder.

Event of default

3.12 Upon the occurrence of an event of default, the non-defaulting party shall be entitled, at their absolute discretion, to exercise the followings options:

- (i) require the defaulting party to purchase from the non-defaulting party, all (and not in parts) of his Solartech Shares, free from all encumbrances and with all rights and benefits attached to them; or
- (ii) require the defaulting party to sell to the non-defaulting party, all (and not in parts) of his Solartech Shares, free from all encumbrances and with all rights and benefits attached to them.

3.13 The shareholders shall make a good faith effort to determine the fair market value price of the Solartech Shares between a willing seller and a willing buyer, applying well accepted valuation methods, and on the basis that each Solartech Share, has the same value corresponding to its proportion of the value of all the Solartech Shares taken as a whole, and that no additional or reduced value is attached to any holding of Solartech Shares by virtue of a majority or minority of the total issued share capital of the company, and taking into account any shareholder loan or guarantee or indemnity to be transferred together with the relevant Solartech Shares.

3.14 If the shareholders are unable to agree the fair market value of the Solartech Shares, an appraiser shall be appointed to determine the fair market value (acting as an expert and not as an arbitrator). The appraiser may not be a firm affiliated with the shareholders or their auditor(s) and/or accountant(s). The shareholders agree to require the appraiser to present its determination to them and such determination, save for any manifest error, shall be binding upon them.

Termination

3.15 The Shareholders’ Agreement will terminate in the event of:

- (i) mutual agreement in writing by the parties; or
- (ii) Solartech is wound up or liquidated, whether voluntary or compulsory; or

- (iii) the occurrence of an event of default as set out in Clause 13.1 of the Shareholders' Agreement; or
- (iv) subject to transfers of shares to nominees and/or affiliates, any party ceasing to be a party to the Shareholders' Agreement for any reason (including transfers of shares).

4. PROSPECTS AND RATIONALE

As companies across all industry sectors are heeding the call to act on climate change and environmental sustainability, there is a growing adoption by property developers towards developing smart homes and sustainable living concept for commercial and industrial buildings. Whilst the smart building industry is still in its infancy, it is gaining popularity as one of the most promising environmental developments in reducing energy consumption and potential to reduce energy bills while providing a more comfortable indoor environment for residents and occupants. This presents immense opportunities for the property development industry. As part the on-going effort to seek new business opportunities, Econframe intends to promote and cross-sell solar energy products and system to its clients and/or property developers. As the Investment seeks to enhance the range of the Econframe group's product offerings, the solar system solution serves as complementary products to the Econframe group's existing offerings and is expected to shore up revenue stream in the future.

5. RISK FACTORS

The Company does not foresee any exceptional risk other than the normal operational risks associated with the Investment. The Company also does not foresee any exceptional risk other than the risk related to the Shareholders' Agreement which is typical to any commercial contract. These include breaches or non-performance of obligations and other terms and conditions under the Shareholders' Agreement. The Company will take the necessary steps to mitigate the risks.

6. SOURCE OF FUND

The Company's equity participation in the Investment was funded through internally generated funds.

7. FINANCIAL EFFECTS

The Investment does not have any effect on the share capital, substantial shareholders' shareholding, earnings, net assets and gearing of the Company.

8. APPROVAL REQUIRED

The Investment is not subject to the approval from the shareholders of the Company or any relevant authorities.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Investment.

10. DIRECTORS' STATEMENT

The Board of Econframe having considered all aspects of the Investment and the terms and conditions of the Shareholders' Agreement, is of the opinion that the Investment and Shareholders' Agreement are in the best interest of the Company.

11. DOCUMENTS FOR INSPECTION

The Shareholders' Agreement is available for inspection at the registered office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, during normal business days from Monday to Friday (except public holidays) for the period of 3 months from the date of this announcement.

In adherence to the standard operating procedures imposed by the regulatory authority(ies), all inspection of documents at registered office of the Company could only be conducted by prior appointment only. For appointment(s) request, please contact 03-2084 9000 or email: info@sshsb.com.my.

This announcement is dated 17 March 2021.