

TAN CHONG MOTOR HOLDINGS BERHAD
Establishment of Tan Chong Motorcycles (Laos) Co, Ltd

The Board of Directors of Tan Chong Motor Holdings Berhad (“TCMH”) is pleased to inform that the Group has established a wholly-owned subsidiary named Tan Chong Motorcycles (Laos) Co, Ltd (“TC Motorcycles Laos”) in Savan-Seno Special Economic Zone in Lao PDR to undertake assembly, sale and distribution of motorcycles (“Project”).

Tan Chong Motorcycles (Laos) was issued a Foreign Investment License and Enterprise Registration License (“Licenses”) by the Special Economic Zone Authority of Lao PDR with the following particulars:

Date of issuance	9 December 2010
Location of project	Site C of Savan-Seno Special Economic Zone, Kaisone Phomvihhan District, Savannakhet Province, Lao PDR (also known as “Savan Park”)
Business activities	(i) Assembly of SYM motorcycles for domestic sale and export. (ii) Import of spare parts of motorcycles and all types of vehicles.
Shareholder	Tan Chong Motorcycles (Labuan) Pte Ltd
Total capital	USD1,500,000/-
Registered capital	USD900,000/-
Duration of license	75 years
Tax incentives	(i) The manufacturing sector will be exempt for 7 years from the first year of profit and be charged a rate of 8% every year thereafter. (ii) The trading sector will be exempt for 5 years from the first year of profit and be charged a rate of 10% every year thereafter.

Notwithstanding issuance of the Licenses, TC Motorcycles Laos could only commence operation upon signing of a Land Lease Agreement with the developer of Savan Park.

Details of the Land Lease Agreement

For the implementation of the Project, the Board of TCMH had on 1 March 2011 approved the lease by TC Motorcycles Laos from the developer of Savan Park, Savan Pacifica Development Co, Ltd (“Developer”) of two (2) lots of land (“Land”) in Savan Park covering total area of 9,972 sq. metres at a total lease rental of USD288,988.56 (“Lease Rental”). The salient terms of the Land Lease Agreement (“Lease Agreement”) to be executed between TC Motorcycles Laos and the Developer in respect of the Land are as follows:

Lot Nos.	409 and 410
Total land area	9,972 sq. metres
Lease period	75 years
Unit price	USD0.46 per sq. metre
Total lease rental	9,972 sq. metre x USD0.46 x 63 years = USD288,988.56 (for land lease exceeding 30 years, a discount of 12 year lease rental will be granted)
Terms of payment	(i) 40% prior to signing of the Lease Agreement. (ii) 30% upon completion of earthworks of the said Lots or 3 months upon signing of the Lease Agreement, whichever is earlier. (iii) 30% payable within 30 days of completion of all infrastructure and basic utilities.

The Lease Rental rate of USD0.46 per sq metre is a fixed rental rate for Savan Park approved by the Lao Government. The Lease Rental will be financed by the Group through internally generated funds.

Information on SYM

SYM is a Taiwanese brand of motorcycles manufactured by Vietnam Manufacturing and Export Processing Limited (“VMEP”), a subsidiary of Sanyang Industry Co, Ltd of Taiwan. VMEP has in principle agreed to appoint TC Motorcycles Laos as a non-exclusive distributor of SYM motorcycles in Lao subject to signing of a Distribution Agreement. The parties are currently in negotiation on the terms and conditions of the Distribution Agreement.

Information on Savan Park

Savan Park is zoned as a free trade industrial and commercial centre under the Prime Minister’s Decree 148 and investors who set up base in this zone enjoy benefits and privileges under the PM Decree 177. Under a joint-venture between the Government of Lao PDR and Malaysia based investor, Pacifica Streams Development Sdn Bhd, Savan Pacifica Development Co, Ltd was established with the responsibility to set up and develop the Savan Park Special Economic Zone. The site is situated along the East West Economic Corridor linking Lao PDR with Thailand and Vietnam and strategically located along the Route No. 9 in Savannakhet Province where the Second Friendship Bridge is only 2 km away. It is 5 km from the Savannakhet Airport and 424 km away from Vientiane capital.

Rationale and percentage ratio applicable

The Project is consistent with the Group’s long term strategy to bring motorists to the car platform by innovating increasingly towards the mass market with entry level products. In emerging markets like Indochina, purchasing power is limited and motorcycles represent a low cost low risk opportunity for individual mobility.

TC Motorcycles Laos is expected to commence business operation only in early 2012. The establishment of TC Motorcycles Laos has no material effect on the earnings, net assets and gearing of the Group for the financial year ending 31 December 2011.

The highest percentage ratio applicable to the establishment of TC Motorcycles Laos pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.3% based on the audited financial statements of the Group for the financial year ended 31 December 2009.

None of the directors or substantial shareholders has an interest, direct or indirect, in the establishment of TC Motorcycles Laos.

This announcement is dated 1 March 2011.