



TAN CHONG MOTOR HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)
(12969-P)

陳唱摩多機構有限公司

Announcement

TAN CHONG MOTOR HOLDINGS BERHAD Proposed disposal of a subsidiary

Introduction

Pursuant to paragraph 9.19(24) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Tan Chong Motor Holdings Berhad ("TCMH" or "Company") announces that TCMH has on 1 October 2009 entered into a conditional Sale and Purchase Agreement ("SPA") with Warisan TC Holdings Berhad ("WTCH") for the disposal by TCMH to WTCH of TCMH's 70% equity interest in Kereta Komersil Seladang (M) Sdn Bhd ("KKS") comprising 10,500 ordinary shares of RM1.00 each ("Sale Shares") for a cash consideration of RM700,000 ("Proposed Disposal").

KKS is a company incorporated in Malaysia on 19 September 2007 with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which 15,000 ordinary shares have been issued and are fully paid-up. TCMH and Tina Motor Sdn Bhd ("Tina Motor") are the registered and beneficial owners of 70% and 30% of the equity interest in KKS respectively. KKS is the holder of a manufacturing license issued under the Industrial Co-ordination Act 1975 for the manufacture of light commercial vehicles.

WTCH is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad with its group of companies principally involved in distribution and sale of heavy equipment and machinery, cosmetics and hair care products, ladies undergarments and provision of travel and car rental services.

Salient Terms of the SPA

The consideration for the Proposed Disposal of RM700,000 ("Sale Consideration") was arrived at on a willing-buyer willing-seller basis taking into consideration, among others, a valuation carried out by Messrs Horwath that the range of fair value of the 70% equity interest in KKS is between RM680,000 and RM780,000. The Sale Consideration shall be paid in cash by WTCH to TCMH as follows:

- (i) RM70,000 which is equivalent to 10% of the Sale Consideration upon signing of the SPA; and
- (ii) RM630,000 which is equivalent to the balance of the Sale Consideration on completion of the SPA.

Completion of the SPA is conditional upon:

- (i) the obtaining of the approval of the Ministry of International Trade and Industry in respect of the Proposed Disposal within 6 months from the date of the SPA; and
- (ii) the completion of due diligence investigations conducted by WTCH in relation to KKS within 2 months from the date of the SPA.

The Proposed Disposal does not require the approval of the shareholders of TCMH and WTCH.

Tina Motor has consented to the Proposed Disposal and the Subscription Option Agreement (as defined below).

In the SPA, TCMH represented to WTCH that KKS is a dormant company which:

- (i) has entered into a Light Commercial Vehicles Assembly Agreement dated 29 September 2009 with Tan Chong Motor Assemblies Sdn Bhd (“TCMA”), a subsidiary of TCMH, which provides the framework for the appointment of TCMA as an assembler to assemble light commercial vehicles for KKS; and
- (ii) simultaneously with the execution of the SPA, has entered into a Subscription Option Agreement with TCMH (“Subscription Option Agreement”) pursuant to which TCMH is granted an option (“Option”) to subscribe for up to such number of new ordinary shares of RM1.00 each in the capital of KKS as shall be equivalent to 19% of the total and paid-up capital of KKS after such subscription. The subscription price per share payable on any exercise of the Option will be the higher of the par value or the price determined by mutual agreement between the parties or failing mutual agreement, by an expert nominated by the parties or failing agreement on nomination, by the auditors of KKS. The Option is available for a period of 10 years from the date of the Subscription Option Agreement.

It is provided in the SPA that WTCH undertakes to procure KKS to appoint TCMH or the related corporation of TCMH as dealers and providers of pre-delivery inspection services and after-sales services for the light commercial vehicles manufactured by KKS from time to time on terms and conditions as the parties may agree from time to time.

Rationale for the Proposed Disposal

TCMH Group’s core business is the assembly and distribution of Nissan vehicles. The focus of the TCMH Group is on its core business and its on-going and close working relationship with Nissan Motor Co Ltd in pursuit of a greater and deeper level of collaboration with Nissan.

Financial Effects of the Proposed Disposal

The Company’s original cost of investment in the 70% equity interest in KKS was RM10,500 and the Proposed Disposal, when completed, will result in a capital gain of RM689,500 for TCMH.

The Proposed Disposal will not have any material effect on the earnings, net assets and gearing of TCMH Group for the current financial year ending 31 December 2009.

Directors’ and Major Shareholders’ Interests

Other than as disclosed below, none of the directors or major shareholders of TCMH Group, or persons connected with them, has any interest, direct or indirect, in the Proposed Disposal:

- (i) Dato’ Tan Heng Chew and Mr Seow Thiam Fatt are directors of TCMH and WTCH.
- (ii) Mr Tan Eng Soon is a director of TCMH and brother of Dato’ Tan Heng Chew.
- (iii) Tan Chong Consolidated Sdn Bhd (“TCC”) is a major shareholder of TCMH and WTCH.

- (iv) Dato' Tan Heng Chew, Mr Tan Eng Soon, Dato' Tan Kim Hor, Dato' Tan Boon Pun, Dato' Tan Chee Keong, Dato' Tan Hoe Pin, Dr Tan Ban Leong, Dr Tan Kang Leong, Mr Tan Beng Keong and Mr Tan Kheng Leong are major shareholders of TCMH and WTCH by virtue of their interests in TCC pursuant to Section 6A of the Companies Act, 1965.

Dato' Tan Heng Chew, Mr Tan Eng Soon and Mr Seow Thiam Fatt ("Interested Directors") have abstained and will continue to abstain from deliberating and voting on the resolutions in respect of the Proposed Disposal at the relevant meetings of the Board of TCMH.

Directors' Statement

The Board of Directors of TCMH (except for the Interested Directors) are of the opinion that the Proposed Disposal is in the best interest of TCMH.

Documents for Inspection

The SPA and the valuation report of Horwath dated 30 April 2009 are available for inspection at the registered office of TCMH at 62-68 Jalan Ipoh, 51200 Kuala Lumpur from Mondays to Fridays (except public holidays) during business hours for a period of three (3) months from the date of this announcement.

This announcement is dated 1 October 2009.