

**TAN CHONG MOTOR HOLDINGS BERHAD**  
**Proposed Acquisition of 74% Charter Capital of Nissan Vietnam Co., Ltd. and Proposed**  
**Joint Venture with Nissan Motor Co., Ltd.**

**1.0 INTRODUCTION**

The Board of Directors of Tan Chong Motor Holdings Berhad (“TCMH” or “the Company”) is pleased to announce that ETCM (V) Pte Ltd (“ETCM (V)”), a wholly-owned subsidiary of the TCMH Group, has on 22 September 2010 entered into the following agreements:-

- (i) Capital Assignment Agreement (“CAA”) with Kjaer Group A/S (“Kjaer”) to acquire from Kjaer of its 74% charter capital contribution in Nissan Vietnam Co., Ltd. (“NVL”) for a cash consideration of USD7,400,000/-;
- (ii) 1st Amendment to the Joint Venture Agreement (“Tripartite Agreement”) with Nissan Motor Co., Ltd. (“Nissan”) and Kjaer to amend the terms of the Joint Venture Agreement dated 6 October 2008 entered into between Nissan and Kjaer; and
- (iii) Joint Venture Agreement (“JVA”) with Nissan in respect of the establishment and operation of NVL (“Proposed Joint Venture”).

(collectively referred to as the “Proposals”).

**2.0 INFORMATION ON ETCM (V), NVL, KJAER AND NISSAN**

**2.1 ETCM (V)**

ETCM (V) was incorporated under the Labuan Companies Act 1990 in the Federal Territory of Labuan, Malaysia on 2 August 2010 as an investment holding company with a current paid up capital of USD1/-.

ETCM (V) is a wholly-owned subsidiary of ETCM (Labuan) Pty Ltd, a wholly-owned subsidiary of Edaran Tan Chong Motor Sdn Bhd, which in turn is a wholly-owned subsidiary of TCMH.

**2.2 NVL**

NVL is a joint venture limited liability company established by Kjaer and Nissan under the laws of Vietnam. It obtained an Investment Certificate from the People’s Committee of Hanoi (“Licensing Authority”) on 10 November 2008, as amended on 4 June 2009, 1 February 2010 and 30 June 2010 (“Investment Certificate”) for a term of operation of 30 years from 10 November 2008 to carry on, among others, the following scope of business:

- Importation of fully assembled automobiles, automobile parts, components, accessories and tyres.
- Importation and lease of die-casting mold and assembly, manufacturing tools for automobiles.
- Distribution of fully assembled automobiles, automobile parts, components, accessories and tyres through appointed dealers.
- Provision of after-sales services for automobiles under Nissan brand.

NVL has entered into a Distribution Agreement dated 10 March 2009 with Nissan wherein Nissan has granted NVL the exclusive right to import and distribute/re-sell Nissan vehicles and their spare parts in Vietnam.

NVL began operations in December 2008 to import and distribute Nissan vehicles, parts and accessories. Through contract assembly arrangement with a local assembler, NVL started distributing, through appointed local dealers, the first locally assembled Nissan model, Nissan Grand Livina, a multi purpose vehicle (MPV), in Vietnam in April 2010. For the first seven months of 2010, NVL sold a total of 249 units of vehicles. The key financial data of NVL for the period ended 31 December 2009 and seven months ended 31 July 2010 are as follows:

	31/12/2009 (Audited) USD'000	31/07/2010 (unaudited) USD'000
Turnover	61	7,375
Loss Before Tax	(2,190)	(2,351)
Shareholders' Equity	7,727	5,964

*\*Note: The amounts in USD are at conversion rate of 18,458 VND/USD*

Pursuant to the Investment Certificate, the investment capital committed by the members of NVL is USD50,000,000/-. NVL has a current charter capital of USD10,000,000/- contributed by Nissan and Kjaer in the following proportions:

Member	Charter Capital Contribution	% of Charter Capital
Kjaer	USD 7,400,000/-	74%
Nissan	USD 2,600,000/-	26%
<b>Total</b>	<b>USD10,000,000/-</b>	<b>100%</b>

### 2.3 Information on Kjaer

Kjaer is a corporation established under the laws of the Kingdom of Denmark. It is principally engaged in activities relating to automotive industry, as well as investment, financing and consultancy activities. Founded in 1962, Kjaer is an international distributor of vehicles focusing its activities on emerging markets. It is also a Nissan distributor in several other countries. Prior to the establishment of NVL, Kjaer was a Nissan distributor in Vietnam via its subsidiary, Motorcare Co. Ltd.

### 2.4 Information on Nissan

Nissan is a corporation established under the laws of Japan. It is currently the third largest automobile manufacturer in Japan and a global automotive company engaged in development, manufacture and assembly of motor vehicles and parts and also in the distribution of motor vehicles and parts. Nissan is established in all major automotive markets worldwide, selling a comprehensive range of cars, pickup trucks, SUVs and light commercial vehicles under the *Nissan* and *Infiniti* brand names. It achieved vehicle sales of 3.36 million units in 2009.

Nissan is also a substantial shareholder of TCMH, holding 5.72% of the equity interest of TCMH as at 31 August 2010.

### **3.0 DETAILS OF THE PROPOSALS**

#### **3.1 Salient Terms of the CAA**

The salient terms of the CAA are as follows:

- (i) Kjaer has agreed to assign, and ETCM (V) has agreed to take up such assignment of 74% of the charter capital of NVL contributed by Kjaer (“Assigned Capital”) at a consideration of USD7,400,000/- (“Assignment Price”). By executing the CAA, Kjaer intends to create an absolute, unconditional and irrevocable assignment of all its right, title and interest in and to the Assigned Capital to ETCM (V) (“Capital Assignment”).
- (ii) Completion of the Capital Assignment is subject to the issuance of the amended Investment Certificate (“Amended Investment Certificate”) by the Licensing Authority approving ETCM (V) as the new owner of the Assigned Capital.
- (iii) The Assignment Price shall be payable by ETCM (V) to Kjaer within ten (10) business days from the date ETCM (V) receives the Amended Investment Certificate.

Upon completion of the Capital Assignment, NVL will become a subsidiary of TCMH Group.

#### **3.2 Salient Terms of the Tripartite Agreement**

The salient terms of the Tripartite Agreement are as follows:

- (i) As a result of the Capital Assignment and subject to the terms of the Tripartite Agreement and completion of the CAA, Kjaer shall withdraw from, and ETCM (V) shall participate into, the Joint Venture Agreement dated 6 October 2008 (“Previous JVA”) entered into between Nissan and Kjaer.
- (ii) Pursuant to 3.2(i) above, the Previous JVA shall be, in its entirety, amended and a new agreement shall be entered into by and be binding upon only Nissan and ETCM (V).
- (iii) The amendment to the Previous JVA shall become effective upon issuance of the Amended Investment Certificate.

The reason for the parties entering into the Tripartite Agreement is to allow all existing commercial agreements entered into by NVL respectively with Nissan, the contract assembler and the dealers pursuant to the Previous JVA to be maintained.

#### **3.3 Salient Terms of the JVA**

The salient terms of the JVA are as follows:

- (i) Set out the terms in accordance with which Nissan and ETCM (V) shall carry on the businesses of NVL in Vietnam, including provisions in respect of the charter capital, Members’ Council and management structure of NVL.

The charter capital of NVL shall be USD10,000,000/-, contribution of which shall be as follows:

<b>Member</b>	<b>Charter Capital Contribution</b>	<b>% of Charter Capital</b>
ETCM (V)	USD 7,400,000/-	74%
Nissan	USD 2,600,000/-	26%
<b>Total</b>	<b>USD10,000,000/-</b>	<b>100%</b>

ETCM (V) is entitled to nominate a majority number of representatives on the Members' Council of NVL. The Chairman and General Director of NVL shall be nominated by ETCM (V). The Deputy General Director of NVL shall be nominated by Nissan.

- (ii) ETCM (V) shall provide NVL with required working capital by means of loans at terms and conditions to be approved with unanimous consent of the Members' Council of NVL in the event NVL has difficulty in raising funds required to carry out its operations.
- (iii) At any time from the date that NVL is issued the Amended Investment Certificate, Nissan has the option to purchase (without being under any obligation to purchase) and ETCM (V) has an obligation to sell certain portion of ETCM (V)'s charter capital ("Target Charter Capital"), provided always that such purchases does not result in Nissan holding more than fifty percent (50%) of the charter capital of NVL.

If the price Nissan offers to pay for the Target Charter Capital is not acceptable to ETCM (V), Nissan and ETCM (V) shall jointly instruct an independent firm of public registered accountants (which shall not be the auditors of NVL) to determine the revised price for the Target Charter Capital.

- (iv) If, at any time, a party of the JVA desires to transfer any of the charter capital of NVL then held by it, it shall first offer to transfer the said charter capital to the other party of the JVA at a price to be determined in accordance with the provisions of the JVA.
- (v) The JVA shall become effective upon issuance of the Amended Investment Certificate by the Licensing Authority.
- (vi) Unless terminated earlier in accordance with the provisions of the JVA, the JVA shall continue in full force and effect through the term of the Investment Certificate.

#### **3.4 Basis and justification of arriving at the Assignment Price**

The Assignment Price was arrived at on a willing buyer-willing seller basis taking into consideration, among others, the following factors:

- (i) The original charter capital contribution of USD7,400,000/- by Kjaer into NVL.
- (ii) The unaudited net assets ("NA") of NVL as at 31 July 2010 of USD5.964 million (at conversion rate of 18,458 VND/USD), 74% of which is equivalent to USD4.413 million ("Proportionate NA").
- (iii) Financial, tax and legal due diligence findings on NVL completed by ETCM (V).

The Assignment Price represents a premium of USD2.987 million, approximately 67.7% of the Proportionate NA. The justification for the Assignment Price is the goodwill for the Nissan franchise in the Vietnam market and the start up costs which a similar vehicle distribution operation in Vietnam would have also incurred.

The Assignment Price will be satisfied in cash from internally generated funds of TCMH Group.

#### **4.0 RATIONALE FOR THE PROPOSALS**

TCMH Group is the exclusive distributor of the Nissan brand passenger and light commercial vehicles in Malaysia. The Group has earlier been appointed the sole and exclusive distributor of Nissan vehicles in Cambodia and Laos. The Proposals would complete TCMH Group's Indochina strategy in terms of geographic coverage. The Proposed Joint Venture is a testimony of business co-operation between TCMH Group and Nissan to further expand the Nissan franchise in a key ASEAN emerging market. As at 2009, the Indochina market has a combined population of approximately 107 million and a GDP of USD109 billion.

#### **5.0 PROSPECTS AND RISK FACTORS**

Total Industry Volume (TIV) for the Vietnam automotive sector in 2009 totaled 119,460 units (+5% year-on-year) with most of the growth coming from the passenger cars category. Demand for passenger cars should continue to grow as the economy improves and spending power increases. The Board of TCMH takes a long term view to venture into the Vietnam automotive market at its early stage of development.

The Group does not foresee any extraordinary material risk factor associated with the Proposals except for business risks, operational risks, foreign exchange risks and risks arising from changes in the laws, regulations and Government policies pertaining to the automotive industry. The Government's protective measures to develop the local automotive industry in Vietnam, which include higher import duties on completely built-up vehicles, as well as prohibitive special consumption tax of 45% - 60% on purchases of passenger cars, SUV and MPV, are always major impediments on the growth of the automotive industry in Vietnam. No assurance can however be given that any adverse development in such risk areas would not affect the business, financial position and/or performance of NVL.

#### **6.0 FINANCIAL EFFECTS**

There are no liabilities including contingent liabilities and guarantees to be assumed by ETCM (V) arising from the Proposals.

The Proposals are not expected to have any material effect on the earnings per share, net assets per share and gearing of the TCMH Group for the current financial year ending 31 December 2010. However, it is expected to contribute positively to the Group's earnings in the long term.

The Proposals will not have any effect on the share capital and substantial shareholders' shareholdings of TCMH.

#### **7.0 APPROVALS REQUIRED**

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is 1.52% based on the audited financial statements of TCMH for the financial year ended 31 December 2009.

The Proposals do not require approval of the shareholders of TCMH as the percentage ratio applicable is below 25%. However, the Proposals are conditional upon the issuance of the Amended Investment Certificate by the Licensing Authority.

## **8.0 ESTIMATED TIMEFRAME**

NVL shall submit an application to the Licensing Authority for the issuance of the Amended Investment Certificate upon execution of the CAA by Kjaer and ETCM (V).

Barring any unforeseen circumstances, the Proposals are expected to be completed within 180 days from the date of the CAA.

## **9.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the directors and/or major shareholders of TCMH and/or persons connected with them, have any interest, direct or indirect, in the Proposals.

## **10.0 STATEMENT BY DIRECTORS**

Having considered all aspects of the Proposals, the Directors of TCMH are of the opinion that the Proposals are in the best interest of TCMH.

## **11.0 DOCUMENTS AVAILABLE FOR INSPECTION**

The CAA, Tripartite Agreement and JVA all dated 22 September 2010 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 normal business hours for a period of three (3) months from the date of this announcement.

This announcement is dated 22 September 2010.