

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS TIEN WAH PRESS HOLDINGS BERHAD ("TWPH" OR "THE COMPANY") - PROPOSED JOINT VENTURE WITH DONG NAI FOOD INDUSTRIAL CORPORATION, VIETNAM ("DOFICO")

TIEN WAH PRESS HOLDINGS BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	TIEN WAH PRESS HOLDINGS BERHAD ("TWPH" OR "THE COMPANY") - PROPOSED JOINT VENTURE WITH DONG NAI FOOD INDUSTRIAL CORPORATION, VIETNAM ("DOFICO")

The Board of Directors of the Company wishes to announce that the Company had on 24 May 2015 entered into a strategic joint venture agreement ("Proposed Joint Venture") with Toyo (Viet) Paper Product Co. Ltd ("TVP") and DOFICO vide sale of 50% of TVP to DOFICO for an estimate total cash consideration of USD1.6 million to secure DOFICO print packaging volume. TVP shall be recognise as a Jointly Controlled Entity of TWPH upon completion of the Proposed Joint Venture.

Please refer to the attached file for details of the announcement.

This announcement is dated 25 May 2015.

Please refer attachment below.

Attachments

[TWPH - Announcement on Proposed Joint Venture.pdf](#)

144.1 kB

Company Name	TIEN WAH PRESS HOLDINGS BERHAD
Stock Name	TIENWAH
Date Announced	25 May 2015
Category	General Announcement for PLC
Reference Number	GA1-19052015-00089

TIEN WAH PRESS HOLDINGS BERHAD (“TWPH” OR “THE COMPANY”)

PROPOSED JOINT VENTURE WITH DONG NAI FOOD INDUSTRIAL CORPORATION, VIETNAM (“DOFICO”)

1. INTRODUCTION

The Board of Directors of the Company wishes to announce that the Company had on 24 May 2015 entered into a strategic joint venture agreement (“Proposed Joint Venture”) with Toyo (Viet) Paper Product Co. Ltd (“TVP”) and DOFICO vide sale of 50% of TVP to DOFICO for an estimate total cash consideration of USD1.6 million (the “Purchase Price”) to secure DOFICO print packaging volume. TVP shall be recognise as a Jointly Controlled Entity of TWPH upon completion of the Proposed Joint Venture.

(TWPH, DOFICO and TVP are collectively referred to as the “Parties”)

2. DETAILS ON THE CONTRACTING PARTIES

2.1 Information on DOFICO

DOFICO (Investment Certificate No: 3600253505) was established on 10 January 1985 in Dong Nai, Vietnam as Dong Nai Tobacco Company and subsequently re-structured as Dong Nai Food Industrial Corporation as a conglomerate with a total legal capital of USD40.0 million. It has a variety of businesses, including the manufacturing of industrial products, supplying agricultural materials and processing agricultural products, foodstuffs, exploiting natural resources, manufacturing building materials, supplying tourism services, commercial, import and export services. Its products includes all kinds of cigarettes, agricultural materials, canned foods, cottons, meats, poultry’s eggs, pager packages, beers and beverage, livestock nutrition, building materials (soil, sand and stone), fertilizers, plant seeds, etc.

2.2 Information on TVP

TVP (Investment Certificate Number: 412043000459) is a wholly-owned subsidiary of TWPH and was incorporated on 14 July 1993 as a private limited company in Vietnam under the Law on Foreign Investment in Vietnam 1996 and the Law on Amendment of and Addition to a number of articles of Law on Foreign Investment, 2000. The charter capital of TVP is USD4,421,141 (the “Charter Capital”).

TVP is principally involved in manufacturing aluminium paper, paper core, tipping paper and to perform box printing under the Investment License granted by the Ministry of Planning and Investment in Vietnam and the Ho Chi Minh City Industrial and Export Processing Zones Authority. The Investment License is valid for 28 years from the initial investment license dated 14 July 1993 and will expire on 14 July 2021.

Based on the latest Audited Financial Statements of TVP for the Financial Year Ended (“FYE”) 31 December 2014, the Net Assets (“NA”) and Profit After Tax (“PAT”) of TVP were USD 5,512,917 and USD 823,906 respectively.

The present Directors of TVP are as follows:

	Equity interest in TVP	
	Contributed legal capital	Equity interest
	(USD)	(%)
Directors		
Tan Poh Hin, Errol	-	-
Lee Chee Whye	-	-

3. SALIENT TERMS OF THE PROPOSED JOINT VENTURE AGREEMENT

The salient terms of the Proposed Joint Venture Agreement are set out as follows:

- 3.1 TWPH wishes to sell and DOFICO wishes to purchase approximately 50% of the total Charter Capital of TVP amounting to USD2,210,570 (“Sale Capital Contribution”), subject to and upon the terms and conditions specified in the Proposed Joint Venture Agreement;
- 3.2 The Purchase Price of the Sale Capital Contribution shall be calculated based on the Net Tangible Asset’s value of the TVP on the valuation date being the month end date as mutually agreed as set out in Section 3.8(b) below multiplied by the percentage of the Sale Capital Contribution (“Valuation Date”);
- 3.3 DOFICO to transfer its tobacco printed carton volumes with at least 50% immediately from the Valuation Date to TVP;
- 3.4 TWPH endeavour to allocate an equivalent or higher tobacco printed carton volume to TVP as compared to the DOFICO tobacco printed carton volumes;
- 3.5 Payment by cash of the Purchase Price by DOFICO to TWPH on a deferred payment basis by its dividend to be received from the operations of TVP and free of interest;
- 3.6 The Board of Directors of TVP shall consist of five (5) members. The Chairman of the Board and General Director of TVP shall always be a representative of TWPH whereas the Deputy Chairman of the Board of TVP shall always be a representative of DOFICO and one other ordinary members from both parties;

(collectively referred to as the “Members’ Council”)
- 3.7 Completion of the Proposed Joint Venture shall take place on the date on which:
 - (a) all the condition precedents have been fulfilled to the satisfaction of TWPH or waived by TWPH; and
 - (b) an amended investment certificate has been issued by the lawful State Authority of Vietnam (“Licensing Authority”) to TVP according to which TVP has been recognised as the joint venture limited liability company with two members and each of TWPH and DOFICO holds 50% of the Charter Capital respectively (the “Amended Investment Certificate”).

(collectively referred to as the “Completion Date”)

3.8 TWPH's obligations to sell the Sale Capital Contribution are subject to, and conditional upon, each of the following conditions being fulfilled or waived by TWPH by the Completion Date:

- (a) DOFICO having delivered to TWPH a certified copy of its business/enterprise registration certificate and all amendment thereof and a resolution of the member's council approving the purchase of the Sale Capital Contribution;
- (b) TWPH and DOFICO have mutually and amicably reached a written agreement on cut-off date for the determination of the Purchase Price; and
- (c) After the execution of a capital contribution transfer contract, written confirmation on fulfilment of capital contribution transfer and/or other documents as required by the laws of Vietnam by the Parties to submit such confirmation to the Licensing Authority for the purpose of obtaining the Amended Investment Certificate to convert TVP into the Joint Venture Company ("JV Company"), DOFICO, on the same day, must issue a written debt confirmation (the "Debt Confirmation") to TWPH. For clarity, such Debt Confirmation must clarify:
 - (i) the amount of the debt owed by DOFICO to TWPH is equivalent to the Purchase Price of the Sale Capital Contribution; and
 - (ii) the payment of such debt shall be conducted by profits received by DOFICO from the JV Company in accordance with the payment of the Purchase Price; or the payment for the Purchase Price may be dealt in accordance with Section 3.10 below in case the JV Company suffer losses or the profits received by DOFICO from the JV Company within thirty-six (36) months as of the date of commencement is less than 20% of the Purchase Price.

3.9 The obligation of TWPH to sell the 50% capital contribution shall be subject to the following statements being true and correct on and as of the Completion Date:

- (a) all agreements, documents and instruments delivered to TWPH and DOFICO pursuant to Section 3.8 above shall be in full force and effect and unconditional; and
- (b) the members of TVP shall be as per the ownership structure set out below:

<u>Member</u>	<u>Capital Contribution (USD)</u>	<u>% ownership</u>
TWPH	2,210,571	50
DOFICO	2,210,570	50
Total	4,421,141	100

3.10 If the profits received by DOFICO from the JV Company is less than 20% of the Purchase Price or the JV Company suffers a cumulative loss, DOFICO at its own discretion shall:

- (a) continue the Proposed Joint Venture Agreement and extend the payment timeline for the Purchase Price until the profits received from the JV Company are sufficient for DOFICO to pay the Purchase Price to TWPH; or
- (b) have the right to sell to TWPH the entire of its Sale Capital Contribution at the re-selling price being the remaining amount after the Purchase Price minuses outstanding payments for the Purchase Price that have not been paid by DOFICO to TWPH at the time of actual payment of re-selling price (the "Re-selling Price"). In

- this case, TWPH is obligated to re-purchase the Capital Contribution of DOFICO in whole; or
- (c) exercise the put option calling for TWPH to purchase its Sale Capital Contribution in whole at the Re-selling Price. TWPH commits to buy back the Capital Contribution of DOFICO in case DOFICO exercises its put option.

4 BASIS OF ARRIVING AT THE PURCHASE PRICE

The Purchase Price for the Sale Capital Contribution was arrived at on a willing-buyer willing-seller basis after taking into consideration of the following:

- The Purchase Price of the Sale Capital Contribution shall be calculated based on the Net Tangible Asset's value of the Company on the Valuation Date multiplied by the percentage of the Sale of Capital Contribution.

Particularly, the valuation of the Company shall be based on the Valuation Date which will be prepared based on TVP's Audited Financial Statements for the FYE 31 December 2014 and transactions to the Valuation Date taking into account the following transactions and/or adjustments:

- (a) sale of fixed assets not required for the Proposed Joint Venture;
- (b) settlement of TWPH inter-company balances;
- (c) proposed maximum dividend based on Vietnamese Accounting Standards ("VAS") accounting to reduce the net asset value of TVP to the amount of Capital Contribution as per VAS accounting of USD3.2 million amounting to at least USD2.3 million as at 31 December 2014. In the event that there is outstanding dividend payable from the above-mentioned by TVP, it shall remain as debt due to the Company on an interest free basis, payable when able and if required, a loan agreement for the outstanding dividend shall be executed; and
- (d) for the avoidance of doubt, no adjustments shall be made to revalue the fixed assets and that the market value for the remaining land and building and two (2) ATN printers shall be above the net book value.

5 RATIONALE FOR THE PROPOSED JOINT VENTURE

The rationale for the Proposed Joint Venture is for TWPH to strategically secure long term sales volume of a major tobacco company in Vietnam for TWPH and its subsidiaries (the "Group") and to ensure sales and production volume stability.

6 EFFECT OF THE PROPOSED JOINT VENTURE

6.1 Share Capital

The Proposed Joint Venture does not have any effect on the issued and paid-up share capital of the Company.

6.2 Substantial Shareholders' Shareholdings

The Proposed Joint Venture does not have any effect on the substantial shareholders' shareholdings in the Company.

6.3 NA per Share and Gearing

The Proposed Joint Venture does not have any material effect on the NA per Share and Gearing in the Company.

6.4 Earnings per Share

The Proposed Joint Venture is not expected to have any material impact on the earnings per share of TWPH Group for the financial year ending 31 December 2015. There is no gain or loss from the disposal of the 50% share in TVP.

7 ASSUMPTION OF LIABILITIES

There are no liabilities, including contingent liabilities and other guarantees to be assumed by TWPH arising from the Proposed Joint Venture.

8 ORIGINAL COST AND DATE OF INVESTMENT

The original cost and date of investment in TVP are as set out below:

<u>Date of Allotment</u>	<u>Consideration</u>	<u>Total cumulative contributed legal capital (USD)</u>
14 July 1993	Cash	1,000,000
31 May 1994	Cash	2,500,000
25 August 1998	Cash	2,800,000
12 May 2004	Other than cash	4,421,141

9 RISK FACTORS

The Board of Directors of the Company do not envisage any specific risks associated with the Proposed Joint Venture as TVP is an existing wholly-owned subsidiary of TWPH.

10 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED TO THEM

None of the Directors and/or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in relation to the Proposed Joint Venture, except for Mr Lee Chee Whye, who was also a former Director of TWPH, representing the interest of TWPH in TVP as pursuant to Paragraph 10.02(c) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

11 STATEMENT BY BOARD OF DIRECTORS

The Board of Directors is of the opinion that the Proposed Joint Venture is in the best interest of the Group.

12 APPROVAL REQUIRED

The Proposed Joint Venture does not require the approvals of the shareholders nor any relevant government authorities, except for the approval by the Ho Chi Minh City Export Processing and Industrial Zones Authority in Vietnam.

13 HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Joint Venture pursuant to Paragraph 10.02(g) of the MMLR of Bursa Securities is 10.20% based on the Audited Financial Statements for the FYE 31 December 2014 of the Company.

14 ESTIMATED TIME FRAME FOR COMPLETION

The Proposed Joint Venture is expected to be completed by end of Third Quarter 2015.

This announcement is dated 25 May 2015.