



Combined Motor Holdings Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1965/000270/06)
 JSE share code: CMH ISIN number: ZAE000001541
 ("CMH" or "the company")

ANNOUNCEMENT REGARDING THE INTRODUCTION OF THEBE INVESTMENT CORPORATION AS A 15% BLACK ECONOMIC EMPOWERMENT PARTNER TO CMH, THE PROPOSED 5-FOR-1 SUBDIVISION OF ORDINARY SHARES AND THE SPV CONVERSION RIGHTS

1. Introduction

Shareholders are advised that CMH has entered into a shareholders' agreement (the "Shareholders' Agreement") with a newly-incorporated subsidiary company CMH Holdings (Proprietary) Limited ("CMH Holdco"), Thebe Investment Corporation (Proprietary) Limited ("TIC") and Main Street 445 (Proprietary) Limited ("SPV"), a wholly-owned subsidiary of TIC. The Shareholders' Agreement sets out the terms and conditions of the introduction of TIC as a BEE partner to CMH (the "BEE Transaction") and governs the future relationship between the parties.

In terms of the Shareholders' Agreement, CMH has granted SPV certain conversion rights which are deemed to be a specific issue of shares for cash in terms of section 5.50 of the JSE Listings Requirements ("Listings Requirements") and, as such, require shareholder approval.

In addition, CMH directors have proposed a 5-for-1 subdivision of issued ordinary shares to encourage more participation by private investors and to increase the liquidity of the shares.

2. Rationale for the BEE Transaction

CMH supports the South African Government's BEE initiatives and over the years has been successful in introducing black shareholders into selected operating companies. In line with its commitment to transformation, CMH now wishes to advance its BEE strategy to a group level to complement its existing BEE activities at an operating company level.

3. Implementation of the BEE Transaction

In terms of the Shareholders' Agreement and in order to facilitate the BEE transaction, it is necessary to reorganise the legal and corporate structure of the CMH Group. The proposed restructuring (the "Restructuring") requires the sale by CMH, as a going concern, of all its assets and liabilities including its shares and loan accounts in its subsidiary companies through which it conducts its business of motor retail, car rental, marine and leisure and financial services ("CMH Business") to CMH Holdco. CMH Holdco will acquire the CMH Business for the consideration of R1 962,7 million and CMH will loan to CMH Holdco the amount outstanding for the consideration ("the CMH Equity Loan").

CMH Holdco is a newly-incorporated company, which was incorporated for the purpose of acquiring the CMH Business and in which CMH owns 850 A class ordinary shares of R1,00 each, being all the issued share capital immediately prior to the purchase of the CMH Business. CMH Holdco's articles of association will be amended to conform to Schedule 10 of the Listings Requirements.

CMH shareholders are required to approve the Restructuring by passing an ordinary resolution in terms of section 228 of the Companies Act, 1973 (Act 61 of 1973) as amended ("the Act"). The Restructuring is considered an affected transaction as defined in the Securities Regulation Code on Takeovers and Mergers and the Rules of the Securities Regulation Panel ("SRP") and a circular as required by the SRP has been sent to shareholders to approve the Restructuring.

On completion of the Restructuring, TIC will be introduced as an empowerment partner to the CMH Group through SPV, a wholly-owned subsidiary of TIC, subscribing for 150 B class ordinary shares at par of R1,00 each in CMH Holdco and loaning CMH Holdco R294,4 million ("SPV Equity Loan"). This will give TIC 15% of the economic and voting rights in CMH Holdco. CMH Holdco will apply the R294,4 million received on loan account from SPV to settle a portion of the CMH Equity Loan. The BEE Transaction is considered an

8. Background to TIC

Established in 1992 by the Batho Batho Trust, TIC is the realisation of a dream to liberate South Africa's people through economic empowerment, a dream that continues to be fulfilled by providing individuals with financial security through accessibility to affordable products that enhance their quality of life. Aside from its success as South Africa's oldest BEE company, TIC has emerged as a truly African company that remains true to its vision of creating products and services for the needs of the people. The company is firmly founded on the belief that our wealth and our values are measured by the extent to which we serve our communities.

The Batho Batho Trust, a community-based trust, which was set up to support the efforts of historically disadvantaged individuals, owns 51,40% of the equity of TIC. TIC management owns 22,56% of the equity, with 76% of management being black persons as defined in the Broad Based Black Economic Empowerment Act, 53 of 2003, as amended. Investec Employees Benefits Limited, Sanlam Life Assurance Limited and Old Mutual Life Assurance Company (South Africa) Limited own the remaining 26,04%.

TIC is the Batho Batho Trust's only investment and the income and proceeds from the investments made by TIC are to be applied for the benefit of historically disadvantaged communities.

9. Pro forma financial effects

9.1 Accounting treatment

The financial effects of the Restructuring and BEE Transaction are accounted for and presented as one indivisible transaction. The financial effects are determined by applying IFRS, which accounts for the BEE transaction in a manner different from its legal substance and form. IFRS requires that CMH consolidate SPV because the C-Prefs share funding provided by CMH to SPV exposes CMH to the majority of the risks of SPV, even though CMH does not exercise control over SPV.

In terms of this accounting treatment, CMH will reflect SPV's obligations to the A and B-Pref Shareholders and the TIC Shareholder Loan on its balance sheet, after eliminating its investment in the C-Prefs against SPV's obligations under the C-Prefs. SPV's share of CMH Holdco's earnings, after payments to preference shareholders and TIC, will be reflected under minority interests.

9.2 Unaudited pro forma financial effects

The unaudited *pro forma* financial effects of the Restructuring and BEE Transaction and exercise of the SPV Conversion Rights, set out in the table below, are based on the published reported unaudited interim results of CMH Group for the six months ended 31 August 2006 and the assumptions set out below. The unaudited *pro forma* financial effects have been prepared for illustrative purposes only in order to provide information on how the Restructuring and BEE Transaction and the exercise of the SPV Conversion Rights might have affected the results and financial position of CMH Group and, because of their nature, may not give a true reflection of the financial position and income going forward. The financial effects set out below are the responsibility of the directors of CMH.

An independent reporting accountants' report relating to the unaudited *pro forma* financial information is included in the circular posted to shareholders.

Actual Before Restructuring	Pro forma After Restructuring	Pro forma After Restructuring
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and the Rules of the Securities Regulation Panel ("SRP") and a circular as required by the SRP has been sent to shareholders to approve the Restructuring.

On completion of the Restructuring, TIC will be introduced as an empowerment partner to the CMH Group through SPV, a wholly-owned subsidiary of TIC, subscribing for 150 B class ordinary shares at par of R1,00 each in CMH Holdco and loaning CMH Holdco R294,4 million ("SPV Equity Loan"). This will give TIC 15% of the economic and voting rights in CMH Holdco. CMH Holdco will apply the R294,4 million received on loan account from SPV to settle a portion of the CMH Equity Loan. The BEE Transaction is considered an issue of shares by a major subsidiary as defined under the Listings Requirements. The issue by CMH Holdco of 150 B class ordinary shares to SPV requires CMH shareholder approval by the passing of an ordinary resolution, with a 75% majority of votes cast in favour. Further information is provided in the circular to shareholders dated 15 November 2006.

The purpose of the Restructuring is to facilitate the BEE Transaction by providing SPV with access to its proportional share of the free cash flows of CMH Holdco in order to enhance SPV's ability to repay its funding obligations. In this regard CMH Holdco will make bi-annual distributions, in December and June, to its shareholders CMH and SPV. The amount of these distributions will be equal to the consolidated earnings of CMH Holdco for the previous six month period ended 31 August and 28 February, for each year the Shareholders' Agreement is effective, divided by 1.2 ("Free Cash Flow"). The distribution will be allocated to each shareholder divided between dividends, STC on such dividends (in the case of SPV) and proportional repayment of the CMH Equity Loan and SPV Equity Loan.

Different class ordinary shares have been issued to the shareholders of CMH Holdco to allow for a different allocation of the Free Cash Flows between dividends, STC and repayment of loan accounts for each shareholder.

TIC will not be entitled to sell its ordinary shares in SPV nor will SPV be entitled to sell its shares in CMH Holdco and the SPV Equity Loan ("SPV Equity") before 1 January 2015.

4. Funding of the BEE Transaction

SPV will be funded through three classes of preference shares and a TIC shareholder loan as follows:

4.1 A-Preference Shares

SPV will issue to Depfin Investments (Proprietary) Limited ("Depfin"), a wholly-owned subsidiary of Nedbank Limited, 105 000 cumulative redeemable A-class preference shares ("A-Prefs") for a total consideration of R105 million. The A-Prefs will distribute a semi-annual dividend at a variable rate linked to the prime overdraft rate. The A-Prefs' dividends and capital will be paid and redeemed over a seven year period. The A-Prefs rank senior to all other shares of SPV.

4.2 B-Preference Shares

SPV will issue to Depfin 45 000 cumulative redeemable B-class preference shares ("B-Prefs") for a total consideration of R45 million. The B-Prefs will distribute a semi-annual dividend at a variable rate linked to the prime overdraft rate. The B-Prefs' dividends and capital will be redeemed out of cash flows available after meeting the obligations of the A-Prefs, provided that prior to the fourth anniversary of the Effective Date, accumulated dividends and outstanding capital do not exceed R55,0 million. Accumulated dividends and outstanding capital after four years will be repaid on a fixed schedule from years 4 – 7 of the preference share term.

Depfin will be provided with a put option by CMH that will require CMH to purchase all the B-Prefs for an amount equal to the outstanding capital and arrear dividends in the event of default under the terms and conditions of the B-Prefs Subscription Agreement.

4.3 C-Preference Shares

SPV will issue to CMH 124 387 cumulative redeemable C-class preference shares ("C-Prefs") for a total consideration of R124,4 million. The C-Prefs will accrue a semi-annual dividend providing a dividend yield to the holder, on unredeemed capital and accrued dividends, equivalent to a floating rate of 85% of the prime overdraft rate. The C-Prefs' accrued dividends and capital will be paid and redeemed out of available cash flows once the commitments under the A-Prefs and B-Prefs have been met, with a maximum term of 12 years.

CMH will receive a net amount of R170 million in cash after investing in the C-Prefs R124,4 million of the R294,4 million consideration received. The net proceeds will be retained by the company and the directors of CMH will consider the distribution of this amount, less STC, to shareholders as a dividend.

4.4 TIC Shareholder loan

TIC will provide a R20 million shareholder loan which will be subordinated to the preference share funding and interest free. The shareholder loan may be repaid utilising TIC's entitlement to 5% of the Free Cash Flows distributed to SPV.

5. Transaction overview

The following diagram reflects the impact of the Restructuring and BEE Transaction on the CMH Group:



might have affected the results and financial position of CMH Group and, because of their nature, may not give a true reflection of the financial position and income going forward. The financial effects set out below are the responsibility of the directors of CMH.

An independent reporting accountants' report relating to the unaudited *pro forma* financial information is included in the circular posted to shareholders.

	Actual Before Restructuring, BEE Transaction and exercise of SPV Conversion Rights (cents)	Pro forma After Restructuring and BEE Transaction (cents)	Change %	Pro forma After Restructuring, BEE Transaction and exercise of SPV Conversion Rights (cents)	Change %
EPS	383,0 ⁽¹⁾	372,3 ⁽²⁾	(2,8)	369,9 ⁽⁴⁾	(3,4)
HEPS	380,4 ⁽¹⁾	369,7 ⁽²⁾	(2,8)	367,7 ⁽⁴⁾	(3,3)
NAV	2 446,7 ⁽¹⁾	2 446,7 ⁽³⁾	-	3 338,3 ⁽⁵⁾	36,4
NTAV	1 723,6 ⁽¹⁾	1 723,6	-	2 709,0 ⁽⁵⁾	57,2
Shares in issue	21 180 800	21 180 800	-	24 342 511	14,9
Weighted average shares in issue	21 141 900	21 141 900	-	24 303 611	14,9

Notes

- Earnings (EPS) and headline earnings (HEPS) per share ("earnings per share"), and net asset value per share (NAV) and net tangible asset value per share (NTAV) in the 'Before' column were extracted from CMH Group's unaudited reported results for the six months ended 31 August 2006.
- The earnings per share numbers reflected in the 'After the Restructuring and BEE Transaction' column reflect the consolidation of SPV and its share of CMH Holdco's earnings, the deduction of the deemed interest payments to SPV's preference shareholders and the allocation of the remaining earnings to minority shareholders. In addition, earnings per share were increased on the assumption that the R170 million received in cash on the sale of a 15% interest in CMH Holdco was used to settle trade finance liabilities bearing interest at the prime rate.
- The NAV and NTAV reflected in the 'After the Restructuring and BEE Transaction' column remain unchanged after the Restructuring and BEE Transaction.
- The earnings per share numbers reflected in the 'After the Restructuring, BEE Transaction and exercise of the SPV Conversion Rights' column reflects the exercise of the SPV Conversion Rights, on the assumption that SPV settles all funding of the BEE Transaction and is able to exercise SPV Conversion Rights immediately and not after 1 January 2015. The impact of this on earnings per share is that CMH receives interest income on the R294,4 million cash received (calculated at the interest rate used in note 2) and issues a further 3 161 711 ordinary shares. Shareholders should note that the exercise of the SPV Conversion Rights is only expected after 1 January 2015 or when all the A-Prefs, B-Prefs and C-Prefs have been settled, whichever date is the later, and consequently should read these effects with caution.
- The NAV and NTAV reflected in the 'After the Restructuring, BEE Transaction and exercise of the SPV Conversion Rights' column reflect the increase in CMH's share capital for the value of the SPV Equity acquired and for the issue of 3 161 711 shares in consideration therefore.

10. Subdivision of shares

CMH directors have proposed a 5-for-1 subdivision of issued ordinary shares, as the CMH share price has increased considerably in the last few years and the subdivision will encourage more participation by private investors and increase the liquidity of the shares. The proposed subdivision will not have any financial effects although the market price will be reduced accordingly to a greater or lesser degree by the ratio of the subdivision.

The implementation of the subdivision is subject to the shareholders of CMH passing a special resolution at a general meeting of the company. Notification of a general meeting to pass the special resolution and information required in terms of the Listings Requirements relating to the subdivision has been included in the circular to shareholders.

11. Other business

Included in the circular to shareholders is a proposed amendment to the articles of association of CMH in order to allow CMH to repurchase its own shares subject to the approval of its shareholders. Such amendment to the articles of association requires the CMH shareholders to pass a special resolution at a general meeting of the company. Notification of a general meeting to pass the special resolution has been included in the circular to shareholders.

12. Important dates and times

Last day to lodge forms of proxy at the registered office of CMH for the general meeting by 10:00 on

General meeting of CMH shareholders to be held at 10:00 on

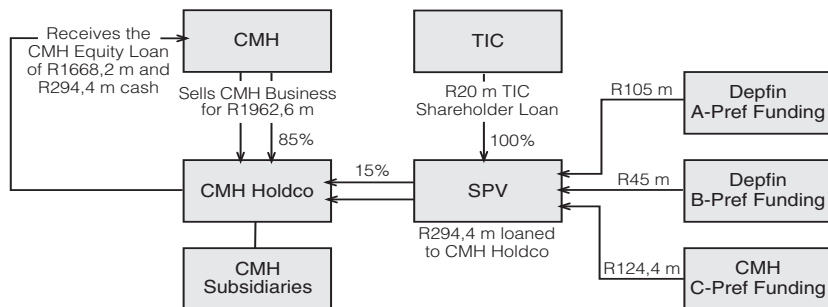
Results of the general meeting announced on SENS on

Tuesday, 5 December 2006

Thursday, 7 December 2006

Thursday, 7 December 2006

The following diagram reflects the impact of the Restructuring and BEE Transaction on the CMH Group:



6. SPV Conversion Rights

In terms of the Shareholders' Agreement, each of CMH and SPV will have the right to convert the SPV Equity into ordinary CMH shares ("SPV Conversion Rights") after 1 January 2015 or when all of the preference share funding has been redeemed, whichever date is the later. SPV will have similar rights on the occurrence of an event of default under the A-Pref Subscription Agreement. Such conversion will take place on a fair market value swap basis. SPV's shares in CMH Holdco will be transferred to CMH and the SPV Equity Loan ceded to CMH against the allotment and issue by CMH of the requisite number of ordinary shares in CMH.

The SPV Conversion Rights are deemed to be a specific issue of shares for cash in terms of Section 5.50 of the Listings Requirements and, as such, require approval by shareholders. Further details relating to the specific issue of shares for cash are provided in the circular to shareholders dated 15 November 2006.

7. Conditions precedent to the BEE Transaction

The BEE Transaction is subject to:

- CMH shareholders passing an ordinary resolution in terms of section 228 of the Act approving the Restructuring;
- CMH shareholders passing an ordinary resolution, requiring 75% shareholder approval, approving the issue by CMH Holdco to SPV of 150 B class ordinary shares;
- CMH shareholders passing an ordinary resolution, requiring 75% shareholder approval, approving the SPV Conversion Rights;
- the terms and conditions of the Shareholders' Agreement becoming unconditional; and
- the terms and conditions of the Preference Share Subscription Agreement becoming unconditional.

Subject to fulfilment of the conditions precedent, the effective date of the transaction will be 1 December 2006 .

included in the circular to shareholders.

12. Important dates and times

Last day to lodge forms of proxy at the registered office of CMH for the general meeting by 10:00 on

Tuesday, 5 December 2006

General meeting of CMH shareholders to be held at 10:00 on

Thursday, 7 December 2006

Results of the general meeting announced on SENS on

Thursday, 7 December 2006

Results of the general meeting announced in the press on

Friday, 8 December 2006

Special resolutions lodged with the Registrar on or about

Friday, 8 December 2006

Last day to trade in CMH shares

Friday, 26 January 2007

Trading commences in the subdivided CMH ordinary shares of no par value under the new ISIN ZAE000088050. The JSE code will remain the same as that currently applicable to CMH

Monday, 29 January 2007

Record date for the subdivision

Friday, 2 February 2007

Replacement certificates reflecting the subdivision will be posted to certificated shareholders whose share certificates have been received by Friday, 2 February 2007 on or about

Monday, 5 February 2007

If share certificates have not been received by Friday, 2 February 2007, share certificates will be posted within five business days of receipt of the certificates

Dematerialised shareholders will have their accounts at their CSDP or broker updated on

Monday, 5 February 2007

Notes

1. These dates and times may be changed by CMH. Any such change will be announced on SENS, and published in the South African press.
2. Unless otherwise indicated, all times are South African times.
3. **The directors of CMH request that CMH shareholders, holding share certificates in their own names, consider dematerialising their shares.**
4. **Share certificates held by CMH shareholders prior to the subdivision may not be dematerialised or rematerialised after Friday, 26 January 2007.**

By order of the board

S K Jackson
Secretary

Durban
15 November 2006

Corporate advisor to CMH



Legal advisor to CMH



Sponsor to CMH



Corporate advisor to TIC



Legal advisor to TIC



Webber Wentzel Bowers

Reporting accountants to CMH



Funder to SPV



iNCE

