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TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

CONTINUING CONNECTED TRANSACTIONS

As the Existing Assembly Agreement has expired on 31 December 2020 and TC Subaru will re-appoint TCMA as its assembler to assemble vehicles, the Assembly Agreement was entered into between TC Subaru and TCMA on 24 August 2021 in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the period from 24 August 2021 to 30 June 2023.

TCMA is a subsidiary of TCMH, and TCC is interested in more than 30% of the equity interests in TCMH. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, TCMA is a connected person of the Company and the transactions contemplated under the Assembly Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Given that the Transactions were entered into by the Group with parties connected or otherwise associated with one another, the Transactions were aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest percentage ratio defined under Rule 14.07 of the Listing Rules in relation to the Transactions (with revised annual cap) on an annual basis is more than 0.1% but less than 5%, the Transactions (with revised annual cap) constitute continuing connected transactions for the Company subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to:

- (a) the announcement of the Company dated 27 November 2019 in relation to the Existing Assembly Agreement; and
- (b) the announcement of the Company dated 1 December 2020 in relation to, among other things, the Existing Transactions.

CONTINUING CONNECTED TRANSACTIONS

Transactions between TC Subaru and TCMA in relation to the Assembly Agreement

As the Existing Assembly Agreement has expired on 31 December 2020 and TC Subaru will re-appoint TCMA as its assembler to assemble vehicles, the Assembly Agreement was entered into between TC Subaru and TCMA on 24 August 2021 in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the period from 24 August 2021 to 30 June 2023.

TC Subaru's initial plan was to renew the Assembly Agreement immediately upon its expiration on 31 December 2020 in time for the start of production of a new vehicle model in January 2021 as per TC Subaru's production schedule. However, the production preparation stages of such new vehicle model was seriously disrupted by multiple lock-downs in Malaysia in response to the COVID-19 pandemic and the project was delayed for over six months. The production schedule of the new vehicle model was revised to reflect such delay and accordingly, the Assembly Agreement was only renewed on 24 August 2021 in line with the revised schedule.

Pursuant to the Assembly Agreement, payment of ex-work assembly charges by TC Subaru to TCMA are based upon the range of volume and estimated cost required to produce each model of the vehicles agreed by TC Subaru and TCMA and will be settled no later than 30 days after the invoice date and payment of other applicable charges relating to special works or down-time charges would be subject to the mutual agreement between TC Subaru and TCMA.

Pricing basis

The prices and terms of the Assembly Transactions in respect of the Assembly Agreement are on arm's length terms taking into account similar services available from independent third parties in the market.

In negotiating the assembly charges with TCMA, TC Subaru follows the standard methodology used by many manufacturers in estimating the following costs to be incurred by TCMA in the assembly of vehicles:

- direct material usage which is determined by (i) size of the cars, (ii) color material and thickness, (iii) any specific material unique to a brand which is normally specified by the principle of a brand and (iv) common materials and consumables used by the brand which will be apportioned by volume;
- direct labor cost includes the number of headcounts required which will be based on volume requirement, production process, unique requirement by the brand, and quality control process stipulated by the principle of a brand;
- variable overheads consisting of utilities, energy cost, repair and maintenance for machinery and equipment, indirect materials and other factory expenses; and
- fixed overheads comprising mainly support staff cost for manufacturing and administration, factory rental, depreciation of plant and office facilities and other administration expenses.

TC Subaru compared its cost estimation following the above standard methodology against the assembly charges quoted by TCMA. It concluded that the assembly charges under the Assembly Agreement is on arm's length price.

Historical Figures

The historical figures for the aggregate annual transaction amount under the Existing Assembly Agreement for the two years ended 31 December 2019 and 2020 were HK\$34,115,000 and HK\$9,853,000 respectively.

Annual Cap

Based on (i) the estimated demand of TC Subaru for the assembly services to be provided by TCMA under the Assembly Agreement and (ii) the terms of the Assembly Agreement, the Company estimates that the proposed annual cap for the transaction under the Assembly Agreement for the three years ending 31 December 2021, 2022 and 2023 will not exceed HK\$13,500,000, HK\$77,000,000 and HK\$23,500,000 respectively.

Reasons for and benefits of the transaction

The Assembly Transactions provide TC Subaru with reliable technical assembly services for manufacture of Subaru vehicles in Malaysia by the granting of a license by Subaru Corporation to TC Subaru with a right to appoint TCMA as the contract assembler. Given the Group's long established and stable business relationship with the TCMA and the competitive price the connected persons offered pursuant to the Assembly Agreement, the Board considers that the Assembly Transactions are beneficial to the business of the Group.

The Directors (including the independent non-executive Directors) consider that the Assembly Transactions are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and are in the interests of the Group and its shareholders as a whole.

AGGREGATED REVISED ANNUAL CAP

Based on the entering into the Assembly Agreement, the aggregate transaction amount under the Transactions would increase. As a result, the estimated aggregate transaction amount under the Transactions for the years ending 31 December 2021 and 2022 would exceed the existing annual cap of HK\$36,390,000 and HK\$38,640,000 respectively. Accordingly, the Board has decided to revise upwards the existing annual cap for the years ending 31 December 2021 and 2022 from HK\$36,390,000 and HK\$38,640,000 to HK\$49,890,000 and HK\$115,640,000 respectively.

The Directors estimate that the aggregate annual transaction amount for the Transactions for the three years ending 31 December 2021 (with revised annual cap), 2022 (with revised annual cap) and 2023 shall not exceed HK\$49,890,000, HK\$115,640,000 and HK\$23,500,000 respectively.

LISTING RULES IMPLICATIONS

TCMA is a subsidiary of TCMH, and TCC is interested in more than 30% of the equity interests in TCMH. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, TCMA is

a connected person of the Company and the transactions contemplated under the Assembly Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Given that the Transactions were entered into by the Group with parties connected or otherwise associated with one another, the Transactions were aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest percentage ratio defined under Rule 14.07 of the Listing Rules in relation to the Transactions (with revised annual cap) on an annual basis is more than 0.1% but less than 5%, the Transactions (with revised annual cap) constitute continuing connected transactions for the Company subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The principal business of the Group includes (a) distribution and aftersales of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, Philippines, Malaysia, Indonesia, Vietnam and Cambodia, and the sales and aftersales of motor vehicles in the southern part of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore and Hong Kong; (d) vehicle seat manufacturing in the PRC; (e) assembly of automobiles in Thailand; and (f) provision of vehicle transportation service and human resource management service in relation to transportation business in Japan.

The principal business of TCMA is assembly of motor vehicles and engine.

The principal business of TCC is investment holding.

Each of Mr. Tan Eng Soon (chairman of the Board and an executive Director) and Mr. Tan Kheng Leong (an executive Director) holds approximately 22.85% and 15.38% of TCC respectively. Therefore, each of Mr. Tan Eng Soon and Mr. Tan Kheng Leong is considered to have a material interest in the Assembly Transactions and has abstained from voting on the relevant resolution(s) of the Board approving revision of annual caps of the Transactions and terms of the Assembly Agreement.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings:

“Assembly Agreement”	the assembly agreement dated 24 August 2021 between TC Subaru and TCMA for the provision by TCMA to TC Subaru of assembly services for the assembly of vehicles
“Assembly Transactions”	the assembly transactions in relation to the appointment by TC Subaru of TCMA as an assembler to assemble vehicles pursuant to the Assembly Agreement
“Board”	the board of Directors

"Company"	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Existing Assembly Agreement"	the assembly agreement dated 27 November 2019 between TC Subaru and TCMA for the provision by TCMA to TC Subaru of assembly services for the assembly of vehicles
"Existing Transactions"	collectively (i) the TCMH Transactions, (ii) the APM2 Transactions, (iii) the TCIMSB Transactions, (iv) the TCMH-VN Transactions and (v) APM Transactions as defined in the Company's announcements dated 27 November 2019, 28 May 2020, and 1 December 2020.
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Subaru Corporation"	previously known as Fuji Heavy Industries Limited, a corporation established under the laws of Japan, the shares of which are listed on the Tokyo Stock Exchange and the manufacturer of Subaru vehicles
"TCC"	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability
"TCMA"	Tan Chong Motor Assemblies Sdn. Bhd., a company incorporated in Malaysia and a subsidiary of TCMH
"TCMH"	Tan Chong Motor Holdings Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on Bursa Malaysia

"TC Subaru"	TC Subaru Sdn. Bhd., a company incorporated in Malaysia and a wholly owned subsidiary of the Company
"Transactions"	collectively, (i) the Existing Transactions and (ii) the Assembly Transactions
"%"	per cent.

By the order of the Board
Tan Chong International Limited
Teo Siok Ghee
Liew Daphnie Pingyen
Joint Company Secretaries

Hong Kong, 24 August 2021

Website: <http://www.tanchong.com>

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim and Mr. Teo Ek Kee.