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TAN CHONG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 693)

**COMMENCEMENT OF LEGAL PROCEEDINGS IN THAILAND
FURTHER ANNOUNCEMENT**

Reference is made to the announcement of Tan Chong International Limited (the “Company” and together with its subsidiaries, the “Group”) dated 8 January 2010 (the “Announcement”) regarding the commencement of legal proceedings by the Plaintiff against the Defendants in Thailand (the “Legal Proceedings”). The Company makes this announcement to provide further information on the Legal Proceedings. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as defined in the Announcement.

- (1) In the Legal Proceedings, the Plaintiff has alleged that the actions complained of against the Defendants amount to a breach of Section 420 of the Civil and Commercial Code of Thailand in causing Nissan Diesel Motor Co., Ltd (“NDM”) (the wholly owned subsidiary of AB Volvo, one of the Defendants) to breach its obligations with respect to a Distribution Agreement (the “DA”) and a Technical Assistance Agreement (the “TAA”) (both entered into by the Plaintiff and NDM on 27 December 2002); and/or failing to exercise its rights under the DA and TAA in good faith (which the Company is informed is mandated under the governing laws of the DA and the TAA); and/or abusing its rights under the DA and TAA (which the Company is informed is prohibited under the governing laws of the DA and the TAA). It is further alleged that this has culminated in NDM giving, on 1

December 2008, a purported and wrongful notice to the Plaintiff of NDM's intention to terminate the DA and TAA on the expiry date of the initial terms of the respective agreements at the end of 2012 (which, the Plaintiff alleges, NDM is not entitled so to do under the governing laws of the DA and TAA).

- (2) For the financial year ended 31 December 2008, (i) turnover of the Plaintiff was approximately HK\$503 million, representing approximately 9.46% of the turnover of the Group of HK\$5,318 million; and (ii) profit before tax (corporate tax rate in Thailand is 30%) of the Plaintiff was approximately HK\$53 million, representing approximately 40.2% of the profit before tax of the Group of HK\$132 million.
- (3) The Company, as a prudential measure, has independently taken action to mitigate the financial position of the Group in relation to the purported termination of the DA and TAA including the acquisition of the operations of Mitsubishi Fuso in Thailand as disclosed in the announcement dated 7 December 2009. The anticipated profit from such enterprise is expected to at least offset any loss of future profits of the Plaintiff to the Group from the end of the DA and TAA. As such, any future judgment in favour of the Plaintiff and a corresponding award of damages to the Plaintiff can only reflect positively for the Group.

The Company will make further and timely announcement(s) regarding any significant developments on the Legal Proceedings as and when warranted.

By Order of the Board

Tan Chong International Limited

Joseph Ong Yong Loke

Deputy Chairman and Managing Director

Hong Kong, 19 January 2010

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

As at the date of this announcement, the directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Independent non-executive directors are Mr. Lee Han Yang, Mdm. Jeny Lau and Mr. Masatoshi Matsuo.