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TAN CHONG INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 693)

CONTINUING CONNECTED TRANSACTIONS

The Board wishes to announce that on 22 December 2010, various subsidiaries of the Company have entered into various motor parts and accessories and vehicle servicing sale and purchase agreements with various subsidiaries of TCMH Group, TCIM Sdn Bhd and FAP and the Company has entered into an IT Services agreement with NSP.

The TCMH Group and TCIM Sdn Bhd, are indirectly owned as to approximately 45% and 33% by the Tan Family through TCC, and Mr. Bryan Chow, the son-in-law of Mr. Tan Eng Soon, the executive director and chairman of the Company and the brother-in-law of Mr. Glenn Tan Chun Hong, executive director, is a major shareholder of FAP and NSP. Each of the TCMH Group, TCIM Sdn Bhd, FAP and NSP is therefore connected person of the Company, and the Transactions constitute continuing connected transactions for the Company.

Since the Transactions were entered into by the Group with parties connected or otherwise associated with one another, all the transactions with TCMH Group, TCIM Sdn Bhd, FAP and NSP were aggregated pursuant to Rule 14A.26 of the Listing Rules. As the relevant percentage ratios represented by the Transactions on an annual basis are more than 0.1% but less than 5%, the Transactions are pursuant to Rule 14A.34 of the Listing Rules subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.41 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 22 December 2010, various subsidiaries of the Company have entered into various motor parts and accessories and vehicle servicing sale and purchase agreements with various subsidiaries of TCMH Group, TCIM Sdn Bhd and FAP and the Company has entered into an IT Services agreement with NSP.

CONTINUING CONNECTED TRANSACTIONS

Transactions between the Group and the TCMH Group

The principal business of the TCMH Group is the assembly and sale of motor vehicles, distribution of equipment for material handling, agriculture and construction purposes, provision of vehicle servicing, hire purchase financing, insurance agency and property development and investment.

The Group has been conducting sale and purchase of motor parts and accessories and vehicle servicing transactions with the TCMH Group in its ordinary and usual course of business.

As disclosed in the Company's annual reports, the annual amounts of the transactions between the Group and the TCMH Group for the financial years ended 31 December 2008 and 2009 were HK\$9,476,000 and HK\$2,232,000 respectively. As the existing contracts will be expired on 31 December 2010 and the Group will continue to engage in sale and purchase of motor parts and accessories and vehicle servicing transactions, 13 new written agreements were entered into by the Group and the TCMH Group on 22 December 2010 in relation to the sale and purchase of motor parts and accessories and vehicle servicing up to a period of 3 years with effect from 1 January 2011 to 31 December 2013. Pursuant to the agreements, payment will be settled by cash within 14 to 30 days after the invoice date.

Transactions between the Group and the TCIM Sdn Bhd

The principal business of TCIM Sdn Bhd is distribution, sale and rental of material handling equipment, agriculture tractors, engines, construction equipment and parts as well as provision of after sales services. On 22 December 2010, a wholly owned subsidiary of the Company has also entered into a written agreement with TCIM Sdn Bhd in relation to the sale and purchase of motor parts and accessories and vehicle servicing up to a period of 3 years with effect from 1 January 2011 to 31 December 2013. Pursuant to the agreements, payment will be settled by cash 30 days after the invoice date.

Transactions between the Company and FAP

The principal business of FAP is importing and distributing motor parts and accessories. On 22 December 2010, a wholly owned subsidiary of the Company has also entered into a written agreement with FAP in relation to the sale and purchase of motor parts and accessories up to a period of 3 years with effect from 1 January 2011 to 31 December 2013. Pursuant to the agreements, payment will be settled 30 days by cash after the invoice date.

Transactions between the Company and NSP

The principal business of NSP is provision of IT Services. On 22 December 2010, the Company has entered into a written agreement with NSP in relation to the provision of IT Services by NSP to the Group up to a period of 3 years with effect from 1 January 2011 to 31 December 2013. Pursuant to the agreement, payment will be settled by cash 30 days after the invoice date.

Pricing basis

Details of the Transactions have been reviewed by the independent non-executive directors of the Company. All the Transactions have been entered into in the ordinary and usual course of business of the Group and either on normal commercial terms or on terms no less favourable than those available to or from (as appropriate) independent third parties.

The prices and terms of these Transactions in respect of the sale and purchase of the motor parts and accessories were agreed between the Group with each of the parties on agreement or order-by-order basis and on arm's length terms taking into account the value and volume of the orders, the type and design of the products and any other specific requirements. The value of the motor parts and accessories that will be purchased from the connected persons will not be higher than the original purchase costs of such motor parts and accessories to the connected persons and the value of the motor parts and accessories that will be sold to the connected persons will not be lower than the original acquisition costs of such motor parts and accessories of the Group. The Transactions will be in the form of agreements, purchase orders and/or email confirmations. The prices and terms of these Transactions in respect of the provision of services were agreed between the Group with each of the parties on agreement and on arm's length terms taking into account the similar services available from independent third parties in the market.

Based on (i) the amount of the Transactions in the previous years; (ii) the amount of the Transactions in the first six months of year 2010; (iii) projections in anticipation of orders due to market demand for motor vehicles and equipments and relevant services; (iv) projection in anticipation of IT Services required by the Group; and (v) the terms of the Transactions, the Company estimates that the proposed annual caps for all Transactions to be HK\$24,000,000, HK\$25,000,000 and HK\$26,000,000 for each of the three financial years ending 31 December 2011, 31 December 2012 and 31 December 2013 respectively.

The directors of the Company consider the proposed annual caps to be reasonable.

LISTING RULES IMPLICATION

The TCMH Group and TCIM Sdn Bhd are indirectly owned as to 45% and 33% by the Tan Family through TCC. Mr. Bryan Chow, the son-in-law of Mr. Tan Eng Soon, executive director and chairman of the Company and the brother-in-law of Mr. Glenn Tan Chun Hong, executive director, is the major shareholder of FAP and NSP. In the circumstances, each of the TCMH Group, TCIM Sdn Bhd, FAP and NSP is connected person of the Company and the Transactions constitute continuing connected transactions for the Company. Given that the Transactions are entered into by the Group with parties connected or otherwise associated with one another, these Transactions are aggregated and treated as if they were one transaction pursuant to Rule 14A.26 of the Listing Rules.

As the relevant percentage ratios represented by these Transactions on an annual basis are more than 0.1% but less than 5% pursuant to Rule 14A.34 of the Listing Rules, the Transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.41 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Transactions provide the Group with reliable and competitive suppliers and purchasers (as the case may be) for its goods and services. The price and terms of the Transactions will be agreed on an agreement or order-by-order basis and at arm's length negotiations with the relevant connected persons taking into account the value and volume of the orders, the type and design of the products and services and any other specific requirements. Given the Group's long established and stable business relationship with some of the connected persons and the competitive price the connected persons offered pursuant to the Transactions, the Board considers that the Transactions is beneficial to the business of the Group.

The directors of the Company (including the independent non-executive directors) consider that the Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations, and are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. None of the Directors has a material interest in the Transactions save for Mr. Tan Eng Soon (who holds approximately 22.85% of TCC and is the father-in-law of the major shareholder of FAP and NSP), Mr. Tan Kheng Leong (who holds approximately 15.38% of TCC) and Mr. Glenn Tan Chun Hong (who is the son of Mr. Tan Eng Soon and brother-in-law of the major shareholder of FAP and NSP). As Mr. Tan Eng Soon and Mr. Glenn Tan Chun Hong are indirectly interested in all the Transactions set out in this announcement, they have abstained from voting in the board meeting containing the board resolutions approving the Transactions. As Mr. Tan Kheng Leong is indirectly interested in the Transactions between the Group and the TCMH Group and TCIM Sdn Bhd, he has abstained from voting in the board meeting containing the board resolutions approving the relevant Transactions.

GENERAL

The principal activity of the Company is investment holding. The businesses of its principal subsidiaries consist of distribution of motor vehicles in Singapore, Hong Kong, China, Thailand, Taiwan, Philippines, Malaysia, Indonesia, Vietnam and Cambodia, industrial equipment distribution in Singapore, China, Vietnam and Thailand, property development and rental in Singapore, Macau and Hong Kong and motor parts and accessories manufacturing in China.

As at the date of this announcement, the Board comprises:

Executive Directors

Mr. Tan Eng Soon
Mr. Joseph Ong Yong Loke
Mr. Tan Kheng Leong
Mdm. Sng Chiew Huat
Mr. Glenn Tan Chun Hong

Independent Non-Executive Directors

Mr. Lee Han Yang
Mr. Masatoshi Matsuo
Mr. Tan Ngiap Joo

The Honorary Life Counsellor of the Company is Dato' Tan Kim Hor

Definitions

“Company”	Tan Chong International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected persons”	having the same meaning ascribed in the Listing Rules
“continuing connected transactions”	continuing connected transactions as defined under Chapter 14A of the Listing Rules
“FAP”	Focusone Asia Pacific Pte Ltd, a company incorporated in Singapore and Mr. Bryan Chow is the major shareholder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IT Services”	application softwares repair and maintenance services
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NSP”	Netrunner Systems Private Limited, a company incorporated in Singapore and Mr. Bryan Chow is the major shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tan Family”	the ex-chairman and current honorary life counsellor of the Company, Dato’ Tan Kim Hor and his family, together with the family of Dato’ Tan Kim Hor’s late brother, Tan Sri Dato’ Tan Yuet Foh, who are together interested in the entire issued share capital of TCC
“TCC”	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability in 1973 and wholly-owned by the Tan Family. It is the controlling shareholder (as defined in the Listing Rules) of the Company
“TCMH”	Tan Chong Motor Holdings Berhad, a company incorporated in Malaysia with limited liability in 1972, the shares of which are listed on the Kuala Lumpur Stock Exchange
“TCMH Group”	TCMH and its subsidiaries
“Transactions”	collectively, the transactions between the Group and the TCMH Group, TCIM Sdn Bhd, FAP and NSP as described in details under the paragraph headed “Continuing Connected Transactions” in this announcement

“%”

Per cent

By Order of the Board
Navin Aggarwal
Company Secretary

Hong Kong, 23 December 2010

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