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## **TAN CHONG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 693)

### **MEMORANDUM OF UNDERSTANDING**

On 6 July 2011, Fuji, TCS and TCMA entered into the MOU regarding certain arrangements between the parties in respect of manufacturing, assembling and distribution of CKD Products in the Territory.

Save for several legally-binding clauses as described below, the terms set out in the MOU are not legally binding.

TCC is a controlling shareholder of the Company and TCMH. TCMA is therefore a connected person of the Company, and the Transactions contemplated under the MOU, if materialized, would constitute connected and/or continuing connected transactions for the Company.

**The Transactions may or may not proceed. Investors are reminded to exercise caution when dealing in the Shares.** Further announcement regarding the Transactions will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

### **THE MEMORANDUM OF UNDERSTANDING DATED 6 JULY 2011**

#### **Parties**

Fuji  
TCS  
TCMA

TCS is a subsidiary of the Company, of which TCC is a controlling shareholder. TCMA is a subsidiary of TCMH, of which TCC is a controlling shareholder. Thus, TCMA is a connected person of the Company under the Listing Rules. The principal business of TCMH and its subsidiaries 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.

Fuji is the maker of Subaru automobiles, and the Group has been distributing various series of motor vehicles manufactured by Fuji. Subject as aforesaid and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fuji is a third party independent of the Company and its connected persons.

### **Major terms of the MOU**

Fuji, TCS and TCMA entered into the MOU regarding certain arrangements between the parties in respect of manufacturing, assembling and distribution of CKD Products in the Territory. The term of the Project shall be until 31 December, 2015 from the effective date of the Definitive Agreement, subject to earlier termination to be agreed in the Definitive Agreement.

Pursuant to the MOU, the main roles of the parties in the Project include:

- (a) Fuji will (on a non-exclusive basis) (i) grant a licence to TCS and/or TCMA to manufacture and assemble CKD Products; (ii) provide technical training and assistance; (iii) sell CKD Parts; (iv) sell after-sales parts for CKD Products; and (v) grant a licence to TCS to distribute CKD Products in the Territory;
- (b) TCS will (i) place an order for CKD Products to be manufactured or assembled by TCMA, considering the market demand in the Territory; (ii) procure CKD Parts from Fuji and Locally Procured Parts; (iii) appoint TCMA as the contract assembler to assemble the CKD Products; (iv) distribute CKD Products assembled and/or manufactured by TCMA in the Territory (For the avoidance of doubt, TCMA shall not be permitted to distribute the CKD Products to any other party than TCS); and (v) provide Fuji with market information for the Territory;
- (c) TCMA will (i) select, purchase and install facilities and fixtures necessary to manufacture and assemble CKD Products in the Plant at the request and costs of TCS; and (ii) manufacture and assemble CKD Products as ordered by TCS at the Plant (with an initial target amount of 5,000 units per year); and
- (d) the parties shall further negotiate the details of the Project with a view to enter into the Definitive Agreements no later than six months from the date of the MOU.

### **Approval Permit**

TCS will apply for certain approval permit from the competent authority in Malaysia for CBU Products to be imported into Malaysia, immediately after the execution of this MOU.

### **Termination**

The MOU will be effective for six (6) months from the date of the MOU unless terminated by any party thereto. Any party may terminate the MOU at any time without any reason by sending one (1) month prior written notice to the other parties of the MOU and in which event, neither party shall have any claim against the other parties upon such termination.

## **Exclusive Negotiation**

Fuji will not, during the term of the MOU, negotiate or enter into any arrangement or agreement with any other party relating materially to the Project.

## **Legally Binding**

Except for certain provisions of the MOU, including the provisions under the sub-sections headed “Approval Permit”, “Termination” and “Exclusive Negotiation” above, this sub-section headed “Legally Binding”, the provisions relating to confidentiality, costs and governing law, the provisions of the MOU shall not be legally binding. Nothing in the MOU shall create any obligation or liability of any party to enter into any of the Definitive Agreements.

## **REASONS FOR THE TRANSACTIONS**

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.

Leveraging on TCMA's existing assembly facilities to produce Subaru compact SUVs for sale in the Territory, the Directors are in favour of the Transactions as it supports the development of the Subaru sales and distribution network in the region. Since 1987, the strong partnership between Fuji and the Group has enabled the rapid expansion in the sales and distribution network of Subaru vehicles across ASEAN countries.

## **GENERAL**

TCC is a controlling shareholder of the Company and TCMH. TCMA is therefore a connected person of the Company, and the Transactions contemplated under the MOU, if materialized, would constitute connected and/or continuing connected transactions for the Company.

Save for several legally-binding clauses as described above, the terms set out in the MOU are not legally binding.

**The Transactions may or may not proceed. Investors are reminded to exercise caution when dealing in the Shares.** Further announcement regarding the Transactions will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

## DEFINITIONS

“Board”	the board of the Directors
“CBU Products”	various series of motor vehicles manufactured by Fuji and sold to TCS for its distribution in Malaysia under the current distribution agreement between Fuji and TCS
“CKD Parts”	parts or components which are necessary for manufacturing and assembling CKD Product, except for Locally Procured Parts
“CKD Product”	Subaru compact SUV
“Company”	Tan Chong International Limited, a company incorporated in Bermuda whose shares are listed and traded on the Main Board of the Stock Exchange
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Definitive Agreements”	the definitive agreements in relation to the Project, including a manufacturing, a technical support agreement, a trademark agreement, and sales agreements
“Director(s)”	the director(s) of the Company
“Fuji”	Fuji Heavy Industries Limited, a corporation established under the laws of Japan, the shares of which are listed on the Tokyo Stock Exchange
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Locally Procured Parts”	parts or components which are necessary and required for assembly of the CKD Products to be procured from local suppliers
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated [6 July] 2011 entered into among Fuji, TCS and TCMA in relation to the Project
“Plant”	certain plant of TCMA located in Kuala Lumpur, Malaysia
“Project”	the manufacture and distribution of CKD Products in the Territory by the granting of a licence by Fuji to TCS to manufacture and assemble CKD Products with a right to appoint TCMA as the contract assembler

	to assemble the CKD Products at the Plant and the granting of a licence by Fuji to TCS to distribute CKD Products in the Territory
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.50 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCC”	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability and a controlling shareholder of the Company and TCMH
“TCS”	TC Subaru Sdn Bhd, a corporation established under the laws of Malaysia and a subsidiary of the Company
“TCMA”	Tan Chong Motor Assemblies Sdn Bhd, a company established under the laws of 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 the Main Market of Bursa Malaysia Securities Berhad
“Territory”	Malaysia, Indonesia and Thailand
“Transactions”	the transactions contemplated under the MOU

By Order of the Board  
**Tan Chong International Limited**  
**Joseph Ong Yong Loke**  
Deputy Chairman and Managing Director

Hong Kong, 6 July 2011

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

*As at the date of this announcement, the Executive 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. Non-Executive Director is Mr. Ng Kim Tuck and Independent Non-Executive Directors are Mr. Lee Han Yang, Mr. Masatoshi Matsuo and Mr. Tan Ngiap Joo.*

*\* For identification purpose only*