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**TAN CHONG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 693)

**CONTINUING CONNECTED TRANSACTIONS**

**AND**

**MASTER AGREEMENT FOR VEHICLE MANUFACTURE AND DISTRIBUTION**

Reference are made to the announcement of the Company dated 23 December 2010 in relation to the Existing Transactions, the announcements of the Company dated 6 July 2011 and 5 January 2012 and 18 January 2012 in relation to the MOU and the Supplemental MOU and the announcement of the Company dated 24 February 2012 in relation to the APM Transactions.

On 6 March 2012, TCS entered into the Assembly Agreement with TCMA and Two Memoranda with TCMA and Fuji for the Assembly Transactions for a period from 6 March 2012 to 31 December 2013.

TCC is a controlling shareholder of the Company and TCMH. TCMA is a subsidiary of TCMH. TCMA is therefore a connected person of the Company and the Assembly Transactions constitute connected and/or continuing connected transactions for the Company.

Since the Assembly Transactions, the APM Transactions and the Existing Transactions were entered into by the Group with parties connected or otherwise associated with one another, the APM Transactions with APMER and the Existing 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 Assembly Transactions, the APM Transactions and the Existing Transactions on an annual basis are more than 0.1% but less than 5%, the Transactions are pursuant to Rule 14A.35 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**

Reference is made to the announcement of the Company dated 23 December 2010 in relation to the Existing Transactions 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 agreement for application software repair and maintenance services with NSP for a period of 3 years with effect from 1 January 2011 to 31 December 2013.

Reference are also made to the announcements of the Company dated 6 July 2011 and 5 January 2012 and 18 January 2012 in relation to the MOU and the Supplemental MOU regarding certain arrangements among Fuji, TCS and TCMA in respect of manufacturing, assembling and distribution of CKD Products in the Territory. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as defined in the announcement of the Company dated 6 July 2011.

Reference is made to the announcement of the Company dated 24 February 2012 in relation to the APM Transactions that NJTC entered into the APM Service Agreement with APMER for APM Transactions, pursuant to which APMER would provide technical consultancy service to NJTC for setting up plant's facilities and product development in Nanjing, PRC, for the manufacture of automotive seating systems for the period from its date of signing to 31 December 2013.

On 6 March 2012, TCS entered into the Assembly Agreement with TCMA and Two Memoranda with TCMA and Fuji for the Assembly Transactions for a period from 6 March 2012 to 31 December 2013.

Pursuant to Rule 14A.26 and 14A.35 of the Listing Rules, the Company would like to present new developments and aggregate the Assembly Transactions, the APM Transactions and the Existing Transactions for the period up to 31 December 2013.

## **CONTINUING CONNECTED TRANSACTIONS – Assembly Transactions among TCS, TCMA and Fuji**

### **Background**

Further to the disclosures in the announcements of the Company dated 6 July 2011 and 5 January 2012 and 18 January 2012 in relation to the MOU and the Supplemental MOU, TCS, Fuji and TCMA have negotiated the details of the Project and entered into the Definitive Agreements.

On 6 March 2012, Fuji and TCS have entered into the Master Agreement and the Auxiliary Agreements for the Project. The transactions contemplated under the Master Agreement and the Auxiliary Agreements are in the ordinary and usual course of business of the Company.

Pursuant to the Master Agreement and the Auxiliary Agreements, Fuji and TCS agree that, subject to Fuji's prior written consent, TCS may appoint a sub-contractor for the purpose of manufacturing and assembling the CKD Products and the implementation of the Project and Fuji may separately enter into agreement with such sub-contractor.

### **Assembly Agreement between TCS and TCMA**

The principal business of TCMA is the assembly of motor vehicles and engines and trading of parts.

In order to fulfill TCS's obligations under the Master Agreement including the manufacturing and assembling of the CKD Products at the Plant, on 6 March 2012, TCS entered into the Assembly Agreement with TCMA for Assembly Transactions, pursuant to which TCS appoints TCMA as its assembler to assemble the vehicles for a period from 6 March 2012 to 31 December 2013 with option to renew the term.

Pursuant to the Assembly Agreement, payment of ex-work assembly charges by TCS to TCMA are based upon the range of volume and estimate cost required to produce each model of the vehicles agreed by TCS and TCMA and will be settled no later than 14 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 agreements between TCS and TCMA.

### **Two Memoranda among TCS, TCMA and Fuji**

The principal business of Fuji is the manufacturing 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.

On 6 March 2012, due to TCMA's appointment by TCS as an assembler under the Assembly Agreement, Fuji, TCS and TCMA entered into the Two Memoranda for Assembly Transactions. The Two Memoranda shall become effective on the date of their execution and shall remain in full force for the duration of the Assembly Agreement.

Pursuant to the Memorandum regarding intellectual property, due to TCMA's appointment by TCS as its assembler under the Assembly Agreement, Fuji has agreed to provide TCMA with Fuji's information and intellectual property that is required for TCMA to assemble the CKD Products for a term same as the Assembly Agreement. TCS shall pay Fuji two royalties, each on the basis of two point five percent (2.5%) of the total amount of ex-works prices of CKD Products *minus* CKD Parts prices, at the end of each calendar quarter period pursuant to the relevant Auxiliary Agreements, namely, the technical license and assistance agreement and the trademark license agreement respectively.

Pursuant to the Memorandum for quality management, due to TCMA's appointment by TCS as its assembler under the Assembly Agreement, Fuji has agreed to provide TCMA with the quality standards and quality management services for TCMA to assemble the CKD Products. TCS shall pay Fuji the service fees, on the basis of 500 USD per diem for each person of Fuji who provides the technical assistance, within thirty days from TCS's receipt of Fuji's written request for payment pursuant to the relevant Auxiliary Agreements, namely, the technical license and assistance agreement and the quality

assurance agreement.

### **Pricing basis**

Details of the Assembly Transactions have been reviewed by the Directors. The Assembly 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 Assembly Transactions in respect of the Assembly Transactions pursuant to the Assembly Agreement and the Two Memoranda are on arm's length terms taking into account the similar services available from independent third parties in the market.

Based on (i) projections in anticipation of assembly services from TCMA required by TCS, and (ii) the terms of the Assembly Transactions, the Company estimates that the proposed annual caps for the Assembly Transactions to be HK\$300,000 and HK\$75,300,000 for each of the two financial years ending 31 December 2012 and 31 December 2013 respectively.

The Directors consider the proposed annual caps to be reasonable.

### **CONNECTED RELATIONSHIP AND LISTING RULES IMPLICATIONS**

In respect of the Assembly Transactions, 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. TCMA is therefore a connected person of the Company under the Listing Rules and the Assembly Transactions constitute continuing connected transactions for the Company.

In respect of the APM Transactions, TCC is a controlling shareholder of the Company and APM. APMER is therefore connected person of the Company and the APM Transactions constitute continuing connected transactions for the Company.

In respect of the Existing Transactions, TCC is a controlling shareholder of the Company and TCMH Group. TCIM Sdn. Bhd. is indirectly owned by 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 Existing Transactions constitute continuing connected transactions for the Company.

Given that the Assembly Transactions, the APM Transactions and the Existing 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.

The Company estimates that the aggregated proposed annual caps of the Assembly Transactions, the APM Transactions and the Existing Transactions are HK\$42,500,000 and HK\$104,400,000 for each of the two financial years ending 31 December 2012 and 31 December 2013 respectively.

Upon such aggregation pursuant to Rule 14A.26, the relevant percentage ratios represented by the Assembly Transactions, the APM Transactions and the Existing Transactions on an annual basis are more than 0.1% but less than 5% pursuant to Rule 14A.34 of the Listing Rules. Pursuant to Rule 14A.35, the Assembly Transactions, the APM Transactions and the Existing 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 ASSEMBLY TRANSACTIONS**

The Assembly Transactions provide TCS with reliable technical assembly services for transactions contemplated under the Master Agreement. The prices and terms of Assembly Transactions in respect of the provision of assembly 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. Given the Group's long established and stable business relationship with the TCMH Group and the competitive price the connected persons offered pursuant to the Assembly Transactions, 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 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. Further to the disclosure of interest of Directors in the announcements of the Company dated 23 December 2010 and 24 February 2012, none of the Directors has a material interest in the Assembly Transactions save for Mr. Tan Eng Soon who holds approximately 22.85% of TCC and is a managing director of TCMH and Mr. Tan Kheng Leong who holds approximately 15.38% of TCC. As Mr. Tan Eng Soon and Mr. Tan Kheng Leong are indirectly interested in the Assembly Transactions, they have been abstained from voting on the board resolutions approving the Assembly 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 and seating manufacturing in PRC.

### **Definitions**

“APM”	APM Automotive Holdings Berhad, a company incorporated in Malaysia with limited liability in 1997, the shares of which are listed on the Kuala Lumpur Stock Exchange
“APM Service Agreement”	the technical service agreement dated 24 February 2012 between NJTC and APMER for the APM Transactions
“APM Transactions”	the transactions which APMER would provide technical consultancy service to NJTC for setting up plant’s facilities and product development in Nanjing, PRC, for the manufacture of automotive seating systems
“APMER”	APM Engineering & Research Sdn Bhd, a company incorporated in Malaysia and a wholly-owned subsidiary of APM
“Assembly Agreement”	the assembly agreement dated 6 March 2012 between TCS and TCMA for the assembly arrangement of vehicles

“Assembly Transactions”	the assembly transactions which TCS appoints TCMA as its assembler to assemble the vehicles pursuant to the Assembly Agreement and the other relevant arrangements under the Memoranda
“Auxiliary Agreements”	the technical license and assistance agreement, the trademark license agreement, the CKD Parts supply agreement, the quality assurance agreement for the Project signed on 6 March 2012 and as referred to in the Master Agreement
“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
“Directors”	the directors of the Company
“Existing 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 announcement of the Company dated 23 December 2010
“FAP”	Focusone Asia Pacific Pte Ltd, a company incorporated in Singapore 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 the major shareholder
“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 and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 6 March 2012 signed between Fuji and TCS
“NJTC”	Nanjing Tan Chong Automotive Co., Ltd. (南京陳唱交通器材有限公司), a company incorporated in PRC, a wholly-owned subsidiary of the Company
“NSP”	Netrunner Systems Private Limited, a company incorporated in Singapore and Mr. Bryan Chow is the major shareholder
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCC”	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability in 1973 and a controlling shareholder (as defined in the Listing Rules) of the Company, TCMH and APM.
“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 in 1972, the shares of which are listed on the Kuala Lumpur Stock Exchange

“TCMH Group” TCMH and its subsidiaries

“Two Memoranda” the two Memoranda dated 6 March 2012 among TCS, Fuji and TCMA regarding the intellectual property and the quality management

“%” per cent.

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

Hong Kong, 6 March 2012

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.*