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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)

**REVISION OF ANNUAL CAPS
AND
CONTINUING CONNECTED TRANSACTIONS**

The Board expects that the transaction amounts for the Assembly Transactions and the TCMA Transactions would be greater than originally estimated for the year ending 31 December 2015. Accordingly, the Board has decided to revise upwards the annual cap for the Transactions as a whole for the year ending 31 December 2015.

On 30 December 2014, TCMA (as landlord) and TC Subaru (as tenant) entered into the Tenancy Agreement in respect of the leasing of a portion of the property located at No. 249, Jalan Segambut, 51200 Kuala Lumpur, Malaysia for a term of one year commencing on 1 January 2015.

As the Parts Purchase Agreements will expire on 31 December 2014 and the Group intends to continue to purchase the Parts from the Five APM Subsidiaries, the New Parts Purchase Agreements were entered into between TC Subaru and the Five APM Subsidiaries respectively on 30 December 2014, pursuant to which the Five APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the one year period from 1 January 2015 to 31 December 2015.

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 Tenancy Agreement constitute a continuing connected transaction of the Company under the Listing Rules.

Each of the Five APM Subsidiaries is a subsidiary of APM, and TCC is interested in more than 30% of the equity interests in APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each of the Five APM Subsidiaries is a connected person of the Company and the transactions contemplated under the New Parts Purchase Agreements constitute continuing connected transactions of 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 relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions (with the Revised Annual Cap) on an annual basis is more than 0.1% but less than 5%, the Transactions (with the Revised Annual Cap) constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 30 December 2013 in relation to the continuing connected transactions (the "Announcement"). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcement.

REVISION OF ANNUAL CAPS CONTEMPLATED UNDER THE EXISTING TRANSACTIONS

(i) Assembly Agreement

The Assembly Transactions under the Assembly Agreement relate to the provision of assembly services by TCMA to TC Subaru in support of the transactions under the Master Agreement entered into between Fuji and TC Subaru in relation to the manufacturing and assembling of Subaru vehicles. Given that Fuji and TC Subaru have agreed to increase the production forecast of Subaru vehicles under the Master Agreement for the year ending 31 December 2015 by approximately 20% of the original production forecast, TC Subaru would require TCMA to provide more assembly services under the Assembly Agreement. Accordingly, the Board has decided to revise upwards the annual cap for the Transactions as a whole for the year ending 31 December 2015. For details of the Revised Annual Cap, please refer to the section headed "Revised Annual Cap".

The Revised Annual Cap in relation to the Assembly Transactions has been determined based on the revised forecast for the production of Subaru vehicles for 2015 contemplated under the Master Agreement.

Save for the revision of the Revised Annual Cap, all the terms and conditions of the Assembly Transactions shall remain unchanged.

The Directors (including the independent non-executive Directors) consider that the Assembly Transactions (with the Revised Annual Cap) are on normal commercial terms and are fair and reasonable, and are 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.

(ii) Technical Support Agreement

On 30 December 2014, TC Subaru and TCMA entered into the Supplemental Technical Support Agreement, pursuant to which the service fee payable by TC Subaru to TCMA for technical support and advisory services to be rendered by TCMA will be increased from RM10,000 (equivalent to approximately HK\$22,200) per month to RM39,500 (equivalent to approximately HK\$87,690) per month during the period from 1 January 2015 to 31 December 2015.

The reason for the increase in the amount of the monthly service fee was due to the anticipated increase in manpower of TCMA to be employed to facilitate the development for an increased proportion of localized vehicle components to be used for the projects in

Malaysia. With such arrangement, the Company can produce a more cost competitive vehicle by optimizing the benefits under the Industrial Linkage Program provided by the Malaysian Authority.

TC Subaru has obtained information from local employment agency on the average salary of an engineer and a technician in the market, and it shows that the revised service fee under the Supplemental Technical Support Agreement is market rate. Accordingly, the Board has decided to revise upwards the annual cap for the Transactions as a whole for the year ending 31 December 2015. For details of the Revised Annual Cap, please refer to the section headed "Revised Annual Cap".

The Revised Annual Cap in relation to the TCMA Transactions has been determined based on the increase of service fee due to the anticipated increase in manpower of TCMA to be employed under the Supplemental Technical Support Agreement.

Save as described above, all the terms and conditions of the TCMA Transactions shall remain unchanged.

The Directors (including the independent non-executive Directors) consider that the TCMA Transactions (with the Revised Annual Cap) are on normal commercial terms and are fair and reasonable, and are 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.

CONTINUING CONNECTED TRANSACTIONS

(i) Tenancy Agreement

Date	30 December 2014
Parties	: (1) TCMA as landlord (2) TC Subaru as tenant
Property	: A portion of the property located at No. 249, Jalan Segambut, 51200 Kuala Lumpur, Malaysia (with a total rental area of approximately 3,447 square feet)
Term	: One year commencing from 1 January 2015 (the " Commencement Date ") to 31 December 2015 (collectively, the " Term ") Either TCMA or TC Subaru shall have the right to terminate the Tenancy Agreement including any renewal thereof (if any) by giving either party six months' prior notice in writing
Monthly rental	: RM8,617 (equivalent to approximately HK\$19,130), (exclude good and services tax)

The monthly rental shall be payable by TC Subaru seven days in advance from the date corresponding with the Commencement Date of every succeeding month

Extended term : TC Subaru shall give at least three months prior written notice prior to the expiration of the Term to TCMA for the renewal of the tenancy for a further term of one year commencing from the next day after the expiry of the Term, to be determined in the absolute discretion of TCMA

Revised rent for the extended term : at the then prevailing market rate to be mutually agreed upon by both parties

Usage : for office use

Basis for monthly rental

The terms of the Tenancy Agreement were negotiated on an arm's length basis with reference to the market rents of similar properties in the vicinity of the subject property obtained by the property agents and from the online property guide. In determining the revised rent for the extended term under the Tenancy Agreement, TC Subaru will gather information on the then market rents of similar properties in the vicinity of the subject property by obtaining quotations from property agents and/or from the online property guide then.

Historical rental values

The Group has not leased the subject property before. Hence, no historical rental values are available.

Annual Cap

Based on the aggregate amount of the rent payable by TC Subaru under the Tenancy Agreement, the Company estimates that the proposed annual cap for the transaction under the Tenancy Agreement for the year ending 31 December 2015 will not exceed HK\$260,000.

Reasons for the transaction

The subject property is located within the manufacturing facility of TCMA. It will be used by TC Subaru as an office to facilitate better discussion and coordination in Malaysia with TCMA in relation to its collaborative projects with TCMA and Fuji.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the Tenancy Agreement are on normal commercial terms and are fair and reasonable; (ii) the above annual cap is fair and reasonable; and (iii) the entering into of the Tenancy Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Group and its shareholders as a whole.

(ii) New Parts Purchase Agreements

Date: 30 December 2014

Parties: (1) TC Subaru, a wholly-owned subsidiary of the Company
(2) the Five APM Subsidiaries, subsidiaries of APM

Background

As the Parts Purchase Agreements will expire on 31 December 2014 and the Group intends to continue to purchase the Parts from the Five APM Subsidiaries, the New Parts Purchase Agreements were entered into between TC Subaru and the Five APM Subsidiaries respectively on 30 December 2014, pursuant to which the Five APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the one year period from 1 January 2015 to 31 December 2015.

In order to ensure that the transactions under the New Parts Purchase Agreements would be conducted on normal commercial terms, the Group has invited potential suppliers from various countries in the ASEAN regions to attend a kick-off meeting. At the meeting, the potential suppliers were informed of the requirements for the Parts, such as the quality standard and minimum local content requirement for the purpose of obtaining the tax benefits available at the ASEAN Free Trade Area. The potential suppliers were invited to make submission of quotations to bid to become the supplier under the New Parts Purchase Agreements.

The Group would select the successful candidate with reference to the following assessment criteria: (i) the ability to deliver the required quality standard of the Parts; (ii) the ability to fulfill the minimum local content requirement; and (iii) the reasonableness of the price quotation. Further, approval from Fuji, the manufacturer of Subaru vehicles, was required. Five APM Subsidiaries had attended the kick-off meeting and had submitted the quotation. More than 20 other suppliers who are independent third parties were invited to attend the kick-off meeting and most of them had submitted the quotations.

The Group eventually selected the Five APM Subsidiaries as the successful candidates as they offered competitive pricing taking into account the quality standard and the local content requirement for the Parts which they offered.

Pricing basis

Pursuant to the New Parts Purchase Agreements, the price of the Parts shall be agreed upon by the parties based on arm's length negotiation and set out in the price notice(s) on the basis that each of the Five APM Subsidiaries shall not provide the Parts to TC Subaru on terms which are less favourable than those offered by the Five APM Subsidiaries to any third parties for the supply of the Parts of comparable quality and quantity.

In negotiating the price of the Parts with the Five APM Subsidiaries, the Group shall follow the following general pricing principles:

- (i) relevant market price;
- (ii) in the absence of the relevant market prices, with reference to the price for similar transactions with independent third parties; or

- (iii) where none of the above exists, then according to the price to be agreed between the parties.

In determining the prices for the purchase under the New Parts Purchase Agreements where similar comparables are available, TC Subaru will obtain the prices of similar Parts in the market by obtaining quotations from at least two independent third parties, which will then be compared against the price quoted by the Five APM Subsidiaries.

Based on the above measures, the Directors can ensure that a system is in place to check that the price of the Parts is no less favourable than those offered by independent third parties.

Historical figures

The historical figures for the aggregate annual transaction amount under the Parts Purchase Agreements for the year ended 31 December 2013 and the six months ended 30 June 2014 were HK\$168,606,000 and HK\$111,798,000.

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 New Parts Purchase Agreement, the Company estimates that the proposed annual cap for the transaction under the New Parts Purchase Agreement for the year ending 31 December 2015 will not exceed HK\$116,101,000.

Reasons for the transaction

TC Subaru has appointed TCMA as an assembler to assemble vehicles under the Assembly Transactions. To provide the necessary raw materials for the Assembly Transactions, TC Subaru has entered into the New Parts Purchase Agreements with the Five APM Subsidiaries.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the New Parts Purchase Agreements are on normal commercial terms and are fair and reasonable; (ii) the above annual cap is fair and reasonable; and (iii) the entering into of the New Parts Purchase Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Group and its shareholders as a whole.

REVISED ANNUAL CAP

Based on (i) revised forecast for the increase in production of Subaru vehicles for 2015 contemplated under the Master Agreement; (ii) increase of the service fee payable to TCMA under the Supplemental Technical Support Agreement; (iii) the entering into of the Tenancy Agreement; and (iv) the entering into of the New Parts Purchase Agreements, the aggregate transaction amount under the Transactions would increase. As a result, the estimated aggregate transaction amount under the Transactions for the year ending 31 December 2015 would exceed the Existing Annual Cap. Accordingly, the Board has decided to revise upwards the Existing Annual Cap.

Based on the revised projection, the Directors estimate that the aggregate annual transaction amount under the Transactions for the year ending 31 December 2015 shall not exceed HK\$241,696,000.

The Directors (including the independent non-executive Directors) consider that the Transactions (with the Revised Annual Cap) are on normal commercial terms and are fair and reasonable and are conducted in the ordinary and usual course of business and are in

the interests of the Company and its shareholders as a whole.

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 Tenancy Agreement constitute a continuing connected transaction of the Company under the Listing Rules.

Each of the Five APM Subsidiaries is a subsidiary of APM, and TCC is interested in more than 30% of the equity interests in APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each of the Five APM Subsidiaries is a connected person of the Company and the transactions contemplated under the New Parts Purchase Agreements constitute continuing connected transactions of 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 relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions (with the Revised Annual Cap) on an annual basis is more than 0.1% but less than 5%, the Transactions (with the Revised Annual Cap) constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The principal business of the Group includes (a) distribution of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, the Philippines, Malaysia, Indonesia, Vietnam and Cambodia, and the sales and service of motor vehicles and spare parts in the Guangdong province of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore, Macau and Hong Kong; and (d) vehicle seat manufacturing in the PRC.

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

The principal business of the Five APM Subsidiaries is the manufacture and sale of automotive parts and components.

Each of Mr. Tan Eng Soon and Mr Tan Kheng Leong holds approximately 22.85% and 15.38% of TCC respectively. Therefore, each of Mr. Tan Eng Soon and Mr. Tan Kheng Leong was considered to have a material interest in the Transactions and has abstained from voting on the relevant resolution(s) of the Board approving the Revised Annual Cap and the respective terms of the Tenancy Agreement and the New Parts Purchase Agreements.

DEFINITIONS

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

"APMER " APM Engineering & Research Sdn. Bhd., a company incorporated in Malaysia and a wholly-owned subsidiary of APM

"APMS "	APM Seatings Sdn. Bhd., a company incorporated in Malaysia and a wholly-owned subsidiary of APM
"Board "	the board of Directors
"Company "	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
"Existing Annual Cap"	HK\$103,440,000, being the previous annual cap of the Existing Transactions for the year ending 31 December 2015 as disclosed in the announcement of the Company dated 30 May 2014
"Existing Transactions "	collectively, (i) the transactions between the Group and APM, the Five APM Subsidiaries, TCMH Group and TCIMSB as disclosed in the announcement of the Company dated 30 December 2013; and (ii) the respective transactions contemplated under (a) the technical service agreement dated 30 May 2014 entered into between NJTC and APMER and (b) the APMS purchase agreement dated 30 May 2014 entered into between NJTC and APMS, the details of which are disclosed in the announcement of the Company dated 30 May 2014
"Fuji"	Fuji Heavy Industries Limited, a corporation established under the laws of Japan, the shares of which are listed on the Tokyo Stock Exchange
"New Parts Purchase Agreements"	the five parts purchase agreements dated 30 December 2014 entered into between TC Subaru and each of the Five APM Subsidiaries
"NJTC "	Nanjing Tan Chong Automotive Co., Ltd. (南京陳唱交通器材有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Revised Annual Cap"	HK\$241,696,000, being the revised annual cap of the Transactions for the year ending 31 December 2015
"Supplemental Technical Support Agreement"	the amendment to the Technical Support Agreement dated 30 December 2014 entered into between TC Subaru and TCMA
"Tenancy Agreement"	the tenancy agreement dated 30 December 2014 entered into between TC Subaru and TCMA
"Transactions "	the respective transactions contemplated under the Tenancy Agreement and the New Parts Purchase Agreements and the Existing Transactions
"HK\$"	the lawful currency of Hong Kong
"RM "	Ringgit Malaysia, the lawful currency of Malaysia

For the purpose of illustration only, the amount denominated in RM has been translated into HK\$ at the exchange rate of RM0.4504 to HK\$1.

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

Hong Kong, 31 December 2014

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. The independent non-executive Directors are Mr. Lee Han Yang, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck.