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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to:

- a. the announcement of the Company dated 31 December 2014 in relation to the Existing Assembly Agreement, the Existing Technical Support Agreement, the Existing Tenancy Agreement, and the Existing Parts Purchase Agreements; and
- b. the announcement of the Company dated 30 December 2013 in relation to the Existing Transactions.

As the Existing Assembly Agreement will expire on 31 December 2015 and TC Subaru will continue to appoint TCMA as its assembler to assemble vehicles, the Assembly Agreements were entered into by TC Subaru and TCMA on 30 December 2015 in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles up to a period of 1 year with effect from 1 January 2016 to 31 December 2016.

As the Existing Technical Support Agreement will expire on 31 December 2015 and TC Subaru will continue to obtain the technical support and advisory services to be rendered by TCMA, the Technical Support Agreement was entered into by TC Subaru and TCMA on 30 December 2015 in relation to the provision of the TCMA Services by TCMA to TC Subaru up to a period of 1 year with effect from 1 January 2016 to 31 December 2016.

As the Existing Tenancy Agreement will expire on 31 December 2015 and TC Subaru will continue to rent a portion of the property located at No. 249, Jalan Segambut, 51200 Kuala Lumpur, Malaysia, the Tenancy Agreement was entered into between TC Subaru and TCMA on 30 December 2015 for a term of one year commencing on 1 January 2016.

As the Existing Parts Purchase Agreements will expire on 31 December 2015 and the Group will continue to purchase the Parts from the APM Group, the Parts Purchase Agreements were entered into between TC Subaru and the APM Subsidiaries respectively on 30 December 2015, pursuant to which the APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the 6 months period from 1 January 2016 to 30 June 2016.

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 each of the Assembly Agreement, the Technical Support Agreement and the Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Each of the 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 APM Subsidiaries is a connected person of the Company and the transactions contemplated under the 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.

CONTINUING CONNECTED TRANSACTIONS

1. Assembly Agreements

As the Existing Assembly Agreement will expire on 31 December 2015 and TC Subaru will continue to appoint TCMA as its assembler to assemble vehicles, the Assembly Agreements were entered into by TC Subaru and TCMA on 30 December 2015 in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles up to a period of 1 year with effect from 1 January 2016 to 31 December 2016.

Pursuant to the Assembly Agreements, payment of ex-work assembly charges by TC Subaru to TCMA are based upon the range of volume and estimated cost required to produce each model of the vehicles agreed by TC Subaru and TCMA and will be settled no later than 30 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 agreement between TC Subaru and TCMA.

Pricing basis

The prices and terms of the Assembly Transactions in respect of the Assembly Agreement are on arm's length terms taking into account similar services available from independent third parties in the market.

In negotiating the assembly charges with TCMA, TC Subaru follows the standard methodology used by many manufacturers in estimating the following costs to be incurred by TCMA in the assembly of vehicles:

- direct material usage which is determined by (i) size of the cars, (ii) color material and thickness, (iii) any specific material unique to a brand which is normally specified by the principle of a brand and (iv) common materials and consumables used by the brand which will be apportioned by volume;

- direct labor cost includes the number of headcounts required which will be based on volume requirement, production process, unique requirement by the brand, and quality control process stipulated by the principle of a brand;
- Variable overheads consisting of utilities, energy cost, repair and maintenance for machinery and equipment, indirect materials and other factory expenses; and
- Fixed overheads comprising mainly support staff cost for manufacturing and administration, factory rental, depreciation of plant and office facilities and other administration expenses.

TC Subaru compared its cost estimation following above standard methodology against the assembly charges quoted by TCMA. It concluded that the assembly charges under the Assembly Agreements are on arm's length price.

Historical Figures

The historical figures for the aggregate annual transaction amount under the Existing Assembly Agreement for the year ended 31 December 2014 and the six months ended 30 June 2015 were HK\$74,380,000 and HK\$24,860,000 respectively.

Annual Cap

Based on (i) the estimated demand of TC Subaru for the assembly services to be provided by TCMA under the Assembly Agreements and (ii) the terms of the Assembly Agreements, the Company estimates that the proposed annual cap for the transaction under the Assembly Agreements for the year ending 31 December 2016 will not exceed HK\$116,000,000.

Reasons for the transaction

The Assembly Transactions provide TC Subaru with reliable technical assembly services for transactions contemplated under the Master Agreement. 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 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.

2. Technical Support Agreement

As the Existing Technical Support Agreement will expire on 31 December 2015 and TC Subaru will continue to obtain the technical support and advisory services to be rendered by TCMA, the Technical Support Agreement was entered into by TC Subaru and TCMA on 30 December 2015 in relation to the provision of the TCMA Services by TCMA to TC Subaru up to a period of 1 year with effect from 1 January 2016 to 31 December 2016.

TC Subaru shall pay the relevant service fees on a monthly basis within 30 days of receiving an invoice from TCMA.

Pricing basis

The prices and terms of the Technical Transactions in respect of the Technical Support Agreement were agreed between the Group with TCMA on arm's length terms on the basis that TCMA shall not provide the TCMA Services to TC Subaru on terms which are less favourable than those offered by TCMA to any third parties for services of comparable quality and quantity.

Pursuant to the Technical Support Agreement, the service fee payable by TC Subaru to TCMA for the technical support and advisory services to be rendered by TCMA will remain at RM39,500 (equivalent to approximately HK\$71,818) per month during the period from 1 January 2016 to 31 December 2016. This monthly service fee was agreed between the Group and TCMA based on the necessary manpower employed by TCMA to facilitate the ongoing development for an increased proportion of localized vehicle components to be used for the projects in Malaysia. With such arrangement, the Company can continue producing 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. It shows that the service fee under the Technical Support Agreement is market rate.

Historical Figures

The historical figures for the aggregate annual transaction amount under the Existing Technical Support Agreement for the year ended 31 December 2014 and the six months ended 30 June 2015 were HK\$284,000 and HK\$503,000.

Annual Cap

Based on (i) the necessary technical advice and support to be provided by TCMA for the Assembly Transactions and (ii) the terms of the Technical Support Agreements, the Company estimates that the proposed annual cap for the transaction under the Technical Support Agreement for the year ending 31 December 2016 will not exceed HK\$880,000.

Reasons for the transaction

The TCMA Services provide the Group with reliable technical support and advisory services. Given the Group's long established and stable business relationship with the TCMH Group and the competitive price offered pursuant to the Technical Support Agreement, the Board considers that the Technical Transactions are beneficial to the business of the Group.

The Directors (including the independent non-executive Directors) consider that the Technical Transactions 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.

3. Tenancy Agreement

Date : 30 December 2015

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 2016 (the " Commencement Date ") to 31 December 2016 (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 two months' prior notice in writing
Monthly rental	:	RM8,617 (equivalent to approximately HK\$15,667), (exclude good and services tax but inclusive of maintenance fees, utilities charges and other outgoings to be mutually agreed)
		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

As the Existing Tenancy Agreement will expire on 31 December 2015 and TC Subaru will continue to rent the subject property, the Tenancy Agreement was entered into between TC Subaru and TCMA on 30 December 2015 with above-mentioned terms.

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 historical figure for the aggregate transaction amount under the Existing Tenancy Agreement for the six months ended 30 June 2015 was HK\$109,650.

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 2016 will not exceed HK\$195,000.

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.

4. Parts Purchase Agreements

As the Existing Parts Purchase Agreements will expire on 31 December 2015 and the Group will continue to purchase the Parts from the APM Group, the Parts Purchase Agreements were entered into between TC Subaru and the APM Subsidiaries respectively on 30 December 2015, pursuant to which the APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the 6 months period from 1 January 2016 to 30 June 2016.

In order to ensure that the transactions under the Parts Purchase Agreements would be conducted on normal commercial terms, TC Subaru had 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 Parts Purchase Agreements.

TC Subaru 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. The APM Subsidiaries attended the kick-off meeting and 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.

TC Subaru eventually selected the 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 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 APM Subsidiaries shall not provide the Parts to TC Subaru on terms which are less favourable than those offered by the 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 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 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 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 Existing Parts Purchase Agreements for the year ended 31 December 2014 and the six months ended 30 June 2015 were HK\$152,821,000 and HK\$16,472,100.

Annual Cap

Based on (i) the estimated demand of TC Subaru for the assembly services to be provided by TCMA under the Assembly Agreements; and (ii) the terms of the Parts Purchase Agreements, the Company estimates that the proposed annual cap for the transaction under the Parts Purchase Agreements for the year ending 31 December 2016 will not exceed HK\$68,925,000.

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 Parts Purchase Agreements with the APM Subsidiaries.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the 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 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 the entering into each of the Assembly Agreement, the Technical Support Agreement, the Tenancy Agreement, and the 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 2016 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 2016 shall not exceed HK\$214,000,000.

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 each of the Assembly Agreement, the Technical Support Agreement and the Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Each of the 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 APM Subsidiaries is a connected person of the Company and the transactions contemplated under the 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 Southern part of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore, Macau and Hong Kong; (d) vehicle seat manufacturing in the PRC; and (e) provision of vehicle transportation service and human resources management service in relation to transportation business in Japan.

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

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

Each of Mr. Tan Eng Soon (chairman of the Board and an executive Director) and Mr. Tan Kheng Leong (an executive Director) 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 Assembly Agreement, the Technical Support Agreement, the Tenancy Agreement and the Parts Purchase Agreements.

DEFINITIONS

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

"APM"	APM Automotive Holdings Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on Bursa Malaysia
"APM Group"	APM and its subsidiaries
"APM Subsidiaries"	collectively, five subsidiaries of APM, being Auto Parts Manufacturers Co. Sdn. Bhd., APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd and APM Shock Absorbers Sdn. Bhd.
" Assembly Agreements"	two assembly agreements dated 30 December 2015 between TC Subaru and TCMA for the provision by TCMA to TC Subaru of assembly services for the assembly of vehicles
"Assembly Transactions"	the assembly transactions in relation to the appointment by TC Subaru of TCMA as an assembler to assemble vehicles pursuant to the Assembly Agreements
"Board "	the board of Directors
"Company"	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
"Directors"	the directors of the Company
"Existing Annual Cap"	HK\$28,000,000, being the previous annual cap of the Existing Transactions for the year ending 31 December 2016 as disclosed in the announcement of the Company dated 30 December 2013
"Existing Assembly Agreement"	the assembly agreement dated 30 December 2013 between TC Subaru and TCMA for the provision by TCMA to TC Subaru of assembly services for the assembly of vehicles
"Existing Parts Purchase Agreements"	the five parts purchase agreements dated 30 December 2014 between TC Subaru and each of the five subsidiaries of APM, being Auto Parts Manufacturers Co. Sdn. Bhd., APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Springs Sdn. Bhd. and APM Automotive Modules Sdn. Bhd.
"Existing Technical Support Agreement"	the technical support agreement dated 30 December 2014 entered into between TC Subaru and TCMA
"Existing Tenancy Agreement"	the tenancy agreement dated 30 December 2014 entered into between TC Subaru and TCMA
"Existing Transactions "	the transactions between the Group and TCMH Group as disclosed in the announcement of the Company dated 30 December 2013;
"Fuji"	Fuji Heavy Industries Limited, a corporation established under the laws of Japan, the shares of which are listed on the Tokyo Stock Exchange and the manufacturer of Subaru vehicles

"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK\$" 	the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macao"	the Macao Special Administrative Region of the PRC
"Master Agreement"	the master agreement entered into between Fuji and TC Subaru on 6 March 2012 in relation to the manufacturing and assembling of Subaru vehicles
"Parts"	certain parts including components and various kinds of materials for Subaru motor vehicles designed, manufactured and/or assembled by Fuji or licensees of Fuji
"Parts Purchase Agreement(s)"	the nine parts purchase agreements dated 30 December 2015 between TC Subaru the APM Subsidiaries respectively
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macao and Taiwan
"TCC"	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability
"TCMA"	Tan Chong Motor Assemblies Sdn. Bhd., a company incorporated in Malaysia and a subsidiary of TCMH
"TCMA Services"	the services, training, support, consultation and advice to be provided by TCMA to TC Subaru using the technical information or technical know-how which TCMA legally possesses as at the date of the Technical Support Agreement
"TCMH"	Tan Chong Motor Holdings Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on Bursa Malaysia
"TCMH Group"	TCMH and its subsidiaries
"TC Subaru"	TC Subaru Sdn. Bhd., a company incorporated in Malaysia and a wholly-owned subsidiary of the Company
"Technical Support Agreement"	the technical support agreement entered into between TC Subaru and TCMA on 30 December 2015 for the provision of the TCMA Services
"Technical Transactions"	the transactions between TC Subaru and TCMA to be entered into pursuant to the Technical Support Agreement
"Tenancy Agreement"	the tenancy agreement dated 30 December 2015 entered into between TC Subaru and TCMA
"Transactions "	collectively, (i) the respective transactions contemplated under the Assembly Agreement, the Technical Support Agreement, the Tenancy Agreement and the Parts Purchase Agreements and (ii) the Existing Transactions

"Revised Annual Cap" HK\$214,000,000, being the revised annual cap of the Transactions for the year ending 31 December 2016

"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 RM0.55 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 2015

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. Ng Kim Tuck, Mr. Prechaya Ebrahim and Mr. Azman Bin Badrillah.