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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)**

**ARBITRATION PROCEEDINGS**

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 7 December 2009 on its acquisition of the truck production plant and assets and subsequently entering into agreements with Mitsubishi to produce and distribute Mitsubishi Fuso-branded trucks in Thailand.

Mitsubishi issued respective notices to have the Existing Agreements between itself and each of the ThaiCo entities lapse after 31 March 2016 in purported preparation for substituted new agreements between the parties thereafter. ThaiCo has disagreed. A condition to ThaiCo's consideration of the proposal of such new agreements was proper compensation from Mitsubishi for ending the Existing Agreement.

Separately, Mitsubishi has requested that TCMA consider being engaged instead as a contract manufacturer for Mitsubishi post 31 March 2016. The matter is under consideration.

Mitsubishi recently filed distinct Requests for Arbitration with JCAA with respect to certain provisions of the Existing Agreements between Mitsubishi and each of the ThaiCo entities. Among other reliefs, Mitsubishi is seeking a declaration by JCAA that each of the said Existing Agreements has expired in accordance with their contractual terms; and that Mitsubishi has no liabilities for damages or otherwise by reason of such respective expiries.

The Directors are of the view that the course of dealings and substantive relationships between Mitsubishi and ThaiCo precludes Mitsubishi from having the right of and/or the entitlement to exercise a unilateral termination of the said Existing Agreements by passage of time or the simple giving of notice.

Apart from the Existing Agreements for which Mitsubishi has formally requested for arbitrations,

there are other disputes between ThaiCo and Mitsubishi and/or its related entities. ThaiCo has given a general notice to Mitsubishi and its related entities of its intention to claim damages and other remedies for their respective actions which ThaiCo is asserting to have been carried out otherwise than in good faith (as required under the governing law of all the relevant agreements between the parties); and/or frustrating and/or denying the legitimate expectations of the respective ThaiCo members; and/or misappropriating the commercial proprietary rights of relevant ThaiCo members.

For the financial year ended 31 December 2015, the turnover of ThaiCo in conducting the business of assembly and distribution of Mitsubishi Fuso branded vehicles and parts in Thailand was approximately HK\$608 million, representing about 4.1% of Group's turnover of HK\$14,819 million. Profit before tax (corporate tax rate in Thailand is 20%) of ThaiCo was approximately HK\$3 million, representing about 0.4% of Group profit before tax of HK\$769 million.

#### ACTIONS TAKEN BY THE COMPANY

ThaiCo is in the process of receiving advice from external legal counsel both as regards pursuit of its intended claims; and appropriate responses to the Requests for Arbitration. Simultaneously, the Company is working with members of ThaiCo on appropriate strategies for reallocation of resources to other business opportunities with other business partners to mitigate the adverse impact caused by the cessation of the Fuso branded vehicles business in Thailand. ThaiCo is further advised that its mitigation action is in any event a requirement for the pursuit of ThaiCo's intended and respective claims.

The Company will make further announcement(s) regarding any significant developments on the abovementioned proceedings as and when appropriate.

#### DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“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 of Hong Kong Limited
“Directors”	Directors of the Company
“Existing Agreements”	collectively referring to Distributor Agreement, Name Use Agreement and Trademark User Agreement between FTT and Mitsubishi; Component Supply Agreement and License Agreement between TCMA and Mitsubishi; Component Supply Agreement and License Agreement between ZPT and Mitsubishi. All above said agreements were dated 1 April 2015
“FTT”	Fuso Truck (Thailand) Co., Ltd, a company incorporated in Thailand and a wholly owned subsidiary of the Company
“JCAA”	Japan Commercial Arbitration Association
“Mitsubishi”	Mitsubishi Fuso Truck and Bus Corporation, a company

	incorporated in Japan and owned as to 89.29% by Daimler AG, and as to 10.71% by the Mitsubishi group of companies
“Requests for Arbitration”	three formal requests for arbitration filed by Mitsubishi on or about 8 April 2016 under the rules of JCAA
“TCMA”	TC Manufacturing And Assembly Co., Ltd, a company incorporated in Thailand and a wholly owned subsidiary of the Company
“ThaiCo”	collectively referring to FTT, TCMA and ZPT
“ZPT”	Zero Powertrain Co., Ltd., a company incorporated in Thailand and an associate of the Company

By the order of the Board  
**Tan Chong International Limited**  
**Joseph Ong Yong Loke**  
*Deputy Chairman*

Hong Kong, 6 May 2016

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

*As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Non-executive Director is Mr. Joseph Ong Yong Loke. Independent non-executive Directors are Mr. Lee Han Yang, Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, and Mr. Prechaya Ebrahim.*