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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 2015 in relation to the Assembly Agreement, the Technical Support Agreement, the Tenancy Agreement, and the Parts Purchase Agreements; and
- b. the announcement of the Company dated 30 December 2013 in relation to the Existing Transactions.

As the Parts Purchase Agreements had expired on 30 June 2016 and the Group had decided to continue to purchase the Parts from the APM Group, the New Parts Purchase Agreements were entered into between TC Subaru and each of the Four APM Subsidiaries respectively on [30 June 2016], pursuant to which each of the Four APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the six months period from 1 July 2016 to 31 December 2016.

Each of the Four 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 Four 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 highest percentage ratio 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 circular (including independent financial advice) and independent shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

New Parts Purchase Agreements

As the Parts Purchase Agreements had expired on 30 June 2016 and the Group had decided to continue to purchase certain Parts from the APM Group, the New Parts Purchase Agreements were entered into between TC Subaru and each of the Four APM Subsidiaries respectively on 30 June 2016, pursuant to which each of the Four APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the six months period from 1 July 2016 to 31 December 2016.

TC Subaru had invited potential suppliers from various countries in the ASEAN region to attend a kick-off meeting. At the meeting, the potential suppliers, including the Four APM Subsidiaries, 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, including the Four APM Subsidiaries, were invited to make submission of quotations to bid to become TC Subaru's supplier of the Parts.

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.

In order to ensure that the transactions under the New Parts Purchase Agreements will be conducted on normal commercial terms, TC Subaru compared the new quotations submitted by each of the Four APM Subsidiaries with the quotations submitted by other potential suppliers, who are third parties independent of and not connected with the Company and its connected persons.

TC Subaru selected the Four APM Subsidiaries as its suppliers 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 Four APM Subsidiaries shall not provide the Parts to TC Subaru on terms which are less favourable than those offered by the Four 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 Four 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 suppliers who are third parties independent of and not

connected with the Company and its connected persons, which will then be compared against the price quoted by the Four 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 third parties independent of and not connected with the Company and its connected persons.

Historical figures

The historical figures for the aggregate annual transaction amount under the Parts Purchase Agreements for the years ended 31 December 2014 and 2015 were HK\$152,821,000 and HK\$30,521,000, respectively.

Revised Annual Cap

Upon entering into the New Part Purchase Agreements, the aggregate transaction amount under the Transactions will increase. As a result, the estimated aggregate transaction amount under the Transactions for the year ending 31 December 2016 will exceed the Existing Annual Cap. Accordingly, the Board has decided to increase the Existing Annual Cap. Based on (i) the estimated demand of TC Subaru for the vehicle assembly services to be provided by TC Subaru's appointed assembler, TCMA; and (ii) the terms of the New Parts Purchase Agreements, the Company estimates that the proposed annual cap for the transaction under the New Parts Purchase Agreements for the year ending 31 December 2016 will not exceed HK\$26,000,000.

Given the above, the Directors estimate that the aggregate annual transaction amount under the Transactions for the year ending 31 December 2016 shall not exceed HK\$240,000,000.

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 each of the Four APM Subsidiaries.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the New Part Purchase Agreements are on normal commercial terms and are fair and reasonable; and (ii) the entering into of the New Parts Purchase Agreements is in the ordinary and usual course of business of the Company and in the interests of the Group 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 Four 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 Four 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 highest percentage ratio 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 circular (including independent financial advice) and independent shareholders' approval requirement pursuant to Rule 14A.76 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 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 had abstained from voting on the relevant resolution(s) of the Board approving the Revised Annual Cap and the respective terms of the New Parts Purchase Agreements.

DEFINITIONS

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

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| “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 |
| “Four APM Subsidiaries” | collectively, four subsidiaries of APM, being 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 |

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| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| "Directors" | the directors of the Company |
| "Existing Annual Cap" | HK\$214,000,000, being the previous annual cap of the Transactions for the year ending 31 December 2016 as disclosed in the announcement of the Company dated 31 December 2015 |
| "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\$" | Hong Kong dollars, 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 |
| "New Parts Purchase Agreement" | the seven parts purchase agreements dated [30 June] 2016 between TC Subaru and each of the Four APM Subsidiaries respectively |
| "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 parts purchase agreements dated 30 December 2015 entered into between TC Subaru and each of 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 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 |
| "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" | the technical support agreement entered into between TC Subaru |

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| "Agreement" | and TCMA on 30 December 2015 for the provision of the TCMA Services |
| "Tenancy Agreement" | the tenancy agreement dated 30 December 2015 entered into between TC Subaru and TCMA |
| "Transactions " | collectively, (i) the New Parts Purchase Agreements, (ii) the respective transactions contemplated under the Assembly Agreement, the Technical Support Agreement, the Tenancy Agreement and the Parts Purchase Agreements and (iii) the Existing Transactions |
| "Revised Annual Cap" | HK\$240,000,000, being the revised annual cap of the Transactions for the year ending 31 December 2016 |

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

Hong Kong, 30 June 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. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Lee Han Yang, Mr. Ng Kim Tuck Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim and Mr. Teo Ek Kee.