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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 30 June 2016 in relation to the Existing Parts Purchase Agreement;
- (b) the announcement of the Company dated 31 December 2015 in relation to the Existing Assembly Agreement; and
- (c) the announcement of the Company dated 30 December 2013 in relation to the Existing TCMH Agreements.

As the Existing Assembly Agreement will expire on 31 December 2016 and TC Subaru will continue to appoint TCMA as its assembler to assemble vehicles, the Assembly Agreement was entered into by TC Subaru and TCMA on 30 December 2016 in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the one year period from 1 January 2017 to 31 December 2017.

As the Existing Parts Purchase Agreements will expire on 31 December 2016 and the Group will continue to purchase the Parts from the APM Subsidiaries, the Parts Purchase Agreements were entered into between TC Subaru and each of the APM Subsidiaries respectively on 30 December 2016, pursuant to which the APM Subsidiaries agreed to sell to TC Subaru the Parts from time to time during the one year period from 1 January 2017 to 31 December 2017.

As the Existing TCMH Agreements will expire on 31 December 2016 and the Group will continue to engage in certain sale and purchase of motor parts and accessories and vehicle servicing transactions with the TCMH Group, the TCMH Agreements were entered into between the Group and the TCMH Group on 30 December 2016 in relation to the sale and purchase of motor parts and accessories and vehicle servicing transactions during the three year period from 1 January 2017 to 31 December 2019.

The APMVN Agreement was entered into between TCVN and APMVN on 30 December 2016 in relation to sale and rental of vehicles, material handling equipment, forklift, parts and accessories during the three year period from 1 January 2017 to 31 December 2019.

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, each member of the TCMH Group and TCMA is a connected person of the Company and the transactions contemplated under each of the TCMH Agreements and Assembly Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Each of the APM Subsidiaries and APMVN 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 and APMVN is a connected person of the Company and the transactions contemplated under the each of Parts Purchase Agreements and APMVN Agreement 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 ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions on an annual basis is more than 0.1% but less than 5%, the Transactions constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Transactions between TC Subaru and TCMA relating to the Assembly Agreement

As the Existing Assembly Agreement will expire on 31 December 2016 and TC Subaru will continue to appoint TCMA as its assembler to assemble vehicles, the Assembly Agreement was entered into by TC Subaru and TCMA on 30 December 2016 in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the one year period with effect from 1 January 2017 to 31 December 2017.

Pursuant to the Assembly Agreement, 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 the above standard methodology against the assembly charges quoted by TCMA. It concluded that the assembly charges under the Assembly Agreement is 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 2015 and the six months ended 30 June 2016 were HK\$39,149,000 and HK\$50,836,000 respectively.

Annual Cap

Based on (i) the estimated demand of TC Subaru for the assembly services to be provided by TCMA under the Assembly Agreement and (ii) the terms of the Assembly Agreement, the Company estimates that the proposed annual cap for the transaction under the Assembly Agreement for the year ending 31 December 2017 will not exceed HK\$29,302,000.

Reasons for and benefits of 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 Transaction are on normal commercial terms and are fair and reasonable, and are 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.

2. Transactions between TC Subaru and APM Subsidiaries relating to the Parts Purchase Agreements

As the Existing Parts Purchase Agreements will expire on 31 December 2016 and the Group will continue to purchase certain Parts from the APM Subsidiaries, the Parts Purchase Agreements were entered into between TC Subaru and each of the APM Subsidiaries respectively on 30 December 2016, pursuant to which the APM Subsidiaries agreed to sell to TC Subaru the Parts from time to time during the one year period from 1 January 2017 to 31 December 2017.

In order to ensure that the transactions under the Parts Purchase Agreements will be conducted on normal commercial terms, TC Subaru had invited potential suppliers from various countries in the ASEAN region, including the APM Subsidiaries, 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 TC Subaru's 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 2015 and the six months ended 30 June 2016 were HK\$30,521,000 and HK\$59,374,000.

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 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 2017 will not exceed HK\$8,764,000.

Reasons for and benefits of 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.

3. Transactions between the Group and the TCMH Group relating to the TCMH Agreements

As the Existing TCMH Agreements will expire on 31 December 2016 and the Group will continue to engage in certain sale and purchase of motor parts and accessories and vehicle servicing transactions with the TCMH Group, the TCMH Agreements were entered into between the Group and the TCMH Group on 30 December 2016 in relation to the sale and purchase of motor parts and accessories and vehicle servicing transactions during the three year period from 1 January 2017 to 31 December 2019.

Pursuant to the TCMH Agreements, payment will be settled by cash within 15 to 30 days after the invoice date.

Pricing basis

The prices and terms of the TCMH Transactions in respect of the sale and purchase of motor parts and accessories were agreed between the Group and each of the relevant counterparties by way of sales contracts or on an order-by-order basis by way of purchase orders, and are based on arm's length terms taking into account the value and volume of orders and similar products available from independent third parties in the market. The prices and terms of the TCMH Transactions in respect of the vehicle servicing transactions were agreed between the Group and each of the parties based on written agreements and on arm's length terms taking into account similar services available from independent third parties in the market.

In negotiating the prices of the motor parts and accessories and vehicle servicing transactions with TCMH Group, 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 TCMH Transactions under the TCMH Agreements where similar comparables are available, the Group will obtain the prices of similar transactions in the market by obtaining quotations from at least two independent third parties, which will then be compared against the price quoted by the TCMH Group.

Based on the above measures, the Directors can ensure that a system is in place to check that the prices of the motor parts and accessories and vehicle servicing transactions are no less favourable than those offered by independent third parties.

Historical Figures

The historical figures for the aggregate annual transaction amount under the Existing TCMH Agreements for the year ended 31 December 2015 and the six months ended 30 June 2016 were HK\$20,403,000 and HK\$9,427,000 respectively.

Annual Cap

Based on (i) projections in anticipation of orders due to market demand for motor vehicles and equipment and relevant services under the TCMH Agreements and (ii) the terms of the TCMH Agreements, the Company estimates that the proposed annual cap for the transaction under the TCMH Agreements for the each of three years ending 31 December 2017, 2018 and 2019 will not exceed HK\$13,108,000, HK\$12,331,000 and HK\$11,822,000 respectively.

Reasons for and benefits of the transaction

The TCMH Transactions provide the Group with reliable and competitive suppliers and purchasers (as the case may be) for its goods and services. 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 TCMH Transactions, the Board considers that the TCMH Transactions are beneficial to the business of the Group.

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

4. Transactions between TCVN and APMVN relating to the APMVN Agreement

The APMVN Agreement was entered into between TCVN and APMVN on 30 December 2016 in relation to sale and rental of vehicles, material handling equipment, forklift, parts and accessories during the three year period from 1 January 2017 to 31 December 2019.

Pursuant to the APMVN Agreement, payment will be settled by cash within 15 days after the invoice date.

Pricing basis

The prices and terms of the APMVN Transactions in respect of the APMVN Agreement were agreed between TCVN and APMVN by way of sales or rental contracts, and are based on arm's length terms taking into account the value and volume of orders and similar products charged to independent third parties in the market.

In negotiating the prices or rental fees of vehicles, material handling equipment, forklift, parts and accessories with APMVN, 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 charged to independent third parties; or
- (iii) where none of the above exists, then according to the price to be agreed between the parties.

Based on the above measures, the Directors can ensure that a system is in place to check that the prices or rental fees of vehicles, material handling equipment, forklift, parts and accessories charged to APMVN are no less favourable than those offered to independent third parties.

Historical Figures

Historical figures are not available.

Annual Cap

Based on (i) projections in anticipation of sales or rental orders to be received under the APMVN Agreement and (ii) the terms of the APMVN Agreement, the Company estimates that the proposed annual cap for the transaction under the APMVN Agreement for the each of three years ending 31 December 2017, 2018 and 2019 will not exceed HK\$71,000 annually.

Reasons for and benefits of the transaction

The APMVN Transactions provide TCVN with reliable and competitive purchaser for its goods and services. Given the Group's long established and stable business relationship with the APM Group and the market price offered to the connected persons pursuant to the APMVN Transactions, the Board considers that the APMVN Transactions are beneficial to the business of the Group.

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

AGGREGATED ANNUAL CAPS

Based on the entering into each of the Assembly Agreement, the Parts Purchase Agreements, the TCMH Agreements and the APMVN Agreement, the Directors estimate that the proposed annual caps for all the Transactions to be HK\$51,245,000, HK\$12,402,000 and HK\$11,893,000 for each of the three financial years ending 31 December 2017, 2018 and 2019 respectively. The Directors consider the proposed annual caps to be reasonable.

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, each member of the TCMH Group and TCMA is a connected person of the Company and the transactions contemplated under each of the TCMH Agreements and Assembly Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Each of the APM Subsidiaries and APMVN 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 and APMVN is a connected person of the Company and the transactions contemplated under each of the Parts Purchase Agreements and the APMVN Agreement 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 ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions on an annual basis is more than 0.1% but less than 5%, the Transactions constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and 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 TCMH Group is the assembly and sale of motor vehicles, distribution of equipment for material handling, agriculture and construction purposes, provision of vehicle servicing, hire purchase financing, insurance agency and property development and investment.

The principal business of APMVN is the manufacture and sale of automotive suspension parts.

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 of the Board approving the Transactions and respective terms of the Assembly Agreement, the Parts Purchase Agreements, the TCMH Agreements and the APMVN Agreement.

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, including APM Subsidiaries and APMVN
"APM Subsidiaries"	collectively, four subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Shock Absorber Sdn. Bhd. and APM Automotive Modules Sdn. Bhd.
"APMVN"	APM Springs (Vietnam) Company Limited, a company incorporated in Vietnam and a subsidiary of APM
"APMVN Agreement"	the agreement dated 30 December 2016 between TCVN and APMVN in relation to the sale and rental of vehicles, material handling equipment, forklift, parts and accessories
"APMVN Transactions"	collectively, the transactions between TCVN and APMVN to be entered into pursuant to the APMVN Agreement
" Assembly Agreement"	the assembly agreement dated 30 December 2016 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 Agreement
"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 Assembly Agreement"	the 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
"Existing Parts Purchase Agreements"	the seven parts purchase agreements dated 30 June 2016 between TC Subaru and the APM Subsidiaries respectively
"Existing TCMH Agreements"	the 10 agreements dated 30 December 2013 between the Group and the TCMH Group in relation to the sale and purchase of motor parts and accessories and vehicle servicing transactions
"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
"Parts Purchase Agreement(s)"	the seven parts purchase agreements dated 30 December 2016 between TC Subaru and each of the APM Subsidiaries respectively
"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
"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
"Price Notice(s)"	the price notice(s) to be agreed between TC Subaru and the APM Subsidiaries from time to time during the term of the Parts Purchase Agreements which sets out the price of the Parts to be purchased by TC Subaru from the APM Subsidiaries

"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 Agreements"	the four agreements dated 30 December 2016 between the Group and the TCMH Group
"TCMH Group"	TCMH and its subsidiaries
"TCMH Transactions"	collectively, the transactions between the Group and the TCMH Group to be entered into pursuant to the TCMH Agreements
"TC Subaru"	TC Subaru Sdn. Bhd., a company incorporated in Malaysia and a wholly-owned subsidiary of the Company
"TCVN"	Tan Chong Vietnam Industrial Machinery Co., Ltd., a company incorporated in Vietnam and a wholly-owned subsidiary of the Company
"Transactions"	collectively, the transactions as described in detail under the section headed "Continuing Connected Transactions" in this announcement

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

Hong Kong, 30 December 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.