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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 CAP**

Reference is made to the announcement of the Company dated 30 December 2016 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 CAP**

**(i) Assembly Agreement**

The Assembly Transactions under the Assembly Agreement relate to the provision by TCMA to TC Subaru of assembly services for the assembly of Subaru vehicles. In order to control its inventory, TC Subaru decided to slow down production in the fourth quarter of 2016. Those units were then deferred to the first quarter of 2017 which resulted in TC Subaru incurring miscellaneous costs such as retrofit, overtime, and other related costs.

In addition, TC Subaru original production forecast for the year ending 31 December 2017 was to slow down the production of Subaru vehicles by TCMA in the second half of 2017 dependent on the market demand and sales situation. Given that the market demand and sales of Subaru vehicles has showed gradual improvement around the end of second quarter of 2017, TC Subaru decided to increase its production plan for Subaru vehicles under the Assembly Agreement for the second half of 2017.

Besides that, in advent to the new launch of the All-New XV Model in 2018, TC Subaru will incur production costs such as research and development costs, production of pre-production vehicles, and other related new model production costs.

Accordingly, the Board has decided to revise upwards the annual cap for the Assembly Transactions for the year ending 31 December 2017 from HK\$29,302,000 to HK\$38,558,000.

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 2017 and the incurring of production and miscellaneous costs.

Save for the revision of the Existing 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 conducted in the ordinary and usual course of business and are in the interests of the Group and its shareholders as a whole.

## **(ii) Parts Purchase Agreements**

With the aforementioned deferred production of Subaru vehicles in the fourth quarter of 2016 to the first quarter of 2017 and the revised projection of Subaru vehicles production, the Group needed to purchase more Parts under the Parts Purchase Agreements in order to provide necessary raw materials for the Assembly Transactions. Accordingly, the Board has decided to revise upwards the annual cap for the transactions under the Parts Purchase Agreements for the year ending 31 December 2017 from HK\$8,764,000 to HK\$12,943,000.

The revised annual cap in relation to the transactions under the Part Purchase Agreements has been determined based on the revised estimation of the demand of the Group for the Parts under the Parts Purchase Agreements necessary for the production of the Subaru motor vehicles for 2017.

Save for the revision of the Existing Annual Cap, all the terms and conditions of the transactions under the Part Purchase Agreements shall remain unchanged.

The Directors (including the independent non-executive Directors) consider that the transactions under the Part Purchase Agreements (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 Group and its shareholders as a whole.

## **AGGREGATED REVISED ANNUAL CAP**

Based on revised forecast for the increase in production of Subaru vehicles and the incurring of production and miscellaneous costs under the Assembly Agreement and increase in purchase of Parts under 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 2017 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 2017 shall not exceed HK\$64,680,000.

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 Group and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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 (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 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 and aftersales of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, Philippines, Malaysia, Indonesia, Vietnam and Cambodia, and the sales and aftersales of motor vehicles in Southern part of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore and Hong Kong; (d) vehicle seat manufacturing in the PRC; and (e) provision of vehicle transportation service and human resource management service in relation to transportation business in Japan.

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.

## DEFINITIONS

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

<b>"Existing Annual Cap"</b>	HK\$51,245,000, being the previous annual cap of the Transactions for the year ending 31 December 2017 as disclosed in the announcement of the Company dated 30 December 2016
<b>"Revised Annual Cap"</b>	HK\$64,680,000, being the revised annual cap of the Transactions for the year ending 31 December 2017

By the order of the Board  
**Tan Chong International Limited**  
**Teo Siok Ghee**  
**Liew Daphnie Pingyen**  
*Joint Company Secretaries*

Hong Kong, 10 November 2017

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

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