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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 the announcement of the Company dated 7 December 2018 in relation to the Existing Transactions.

The APM Agreements were entered into between TC Subaru and each of the APM Subsidiaries respectively on 1 October 2019 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the period from 1 October 2019 to 31 December 2020.

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 APM 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 circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 7 December 2018 in relation to the Existing Transactions.

CONTINUING CONNECTED TRANSACTIONS

The APM Agreements were entered into between TC Subaru and each of the APM Subsidiaries respectively on 1 October 2019 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the period from 1 October 2019 to 31 December 2020. The APM Transactions are for TC Subaru to purchase certain spare parts in order to supply to TC Subaru's dealers who require these certain spare parts for repairs and replacements under both warranty and aftersales servicing for certain Subaru car models previously assembled in Malaysia.

Pursuant to the APM Agreements, payments will be settled by cash within 30 days from the date of each invoice.

Pricing basis

The prices and terms of the APM Transactions were agreed between TC Subaru and each of the APM Subsidiaries based on arm's length negotiations. Periodic quotations that are valid for 6 months will be provided by each of the APM Subsidiaries to TC Subaru, taking into account the value and volume of orders and similar comparable parts available in the market from independent third parties.

In negotiating the prices of the spare parts with each of the APM Subsidiaries, TC Subaru 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 APM Transactions under the APM Agreements where similar comparable parts 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 prices quoted by the APM Subsidiaries.

Based on the above measures, the Directors are of the view that a system is in place to ensure that the prices of such spare parts are no less favourable than those offered by independent third parties.

Annual Cap

Based on (i) projections in anticipation of spare part replacement orders by TC Subaru's dealers and (ii) the terms of the APM Agreements, the Company estimates that the annual cap for the APM Transactions under the APM Agreements for each of the two years ending 31 December 2019 and 2020 will not exceed HK\$400,000 and HK\$1,000,000 respectively.

Aggregated Revised Annual Cap

Based on the entering into of the APM 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 2019 would exceed the Existing Annual Cap of HK\$73,893,000. 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 2019 and 2020 (i.e. the Revised Annual Cap) shall not exceed HK\$74,293,000 and HK\$1,000,000 respectively.

Reasons for and benefits of the transactions

TC Subaru has dealers in Malaysia which are currently providing vehicle repair services for certain Subaru car models previously assembled in Malaysia by TC Subaru's appointed contract assembler. The APM Transactions will allow TC Subaru to obtain certain spare parts and supply to its dealers in Malaysia for repairs and replacements under both warranty and aftersales servicing.

Further, Subaru Corporation, the manufacturer of Subaru vehicles, has strict guidelines on the quality of spare parts to be used on Subaru vehicles. Each of the APM Subsidiaries has been approved as a supplier for certain spare parts for Subaru vehicles.

Given the Group's long established and stable business relationship with APM and the competitive price offered by each of the APM Subsidiaries pursuant to the APM Agreements, the Board considers that the APM Transactions are beneficial to the business of the Group.

The Directors (including the independent non-executive Directors) consider that the APM Transactions are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group, and, including the Revised Annual Cap, are in the interests of the Group and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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 APM 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 circular (including independent financial advice) and independent shareholders' approval requirements 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 the 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.

The principal business of each 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 is considered to have a material interest in the APM Transactions and has abstained from voting on the relevant resolution(s) of the Board approving the Revised Annual Cap and respective terms of the APM 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 Agreements”	collectively, the four (4) agreements dated 1 October 2019 between TC Subaru and each of the APM Subsidiaries respectively, for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru
“APM Subsidiaries”	collectively, four subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Spring Sdn. Bhd. and APM Automotive Modules Sdn. Bhd.
“APM Transactions”	collectively, the transactions between TC Subaru and each of the APM Subsidiaries to be entered into pursuant to the APM Agreements

"Board"	the board of Directors
"Company"	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Existing Annual Cap"	HK\$73,893,000, being the previous annual cap of the transactions for the year ending 31 December 2019 as disclosed in the announcement of the Company dated 7 December 2018
"Existing Transactions"	collectively, (i) the TCMH Transactions, (ii) the APMVN Transactions; (iii) the Assembly Transactions, and (iv) the Technical Assistance Services which capitalized terms used herein shall have the same meanings as defined in the announcement of the Company dated 7 December 2018
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Revised Annual Cap"	HK\$74,293,000 and HK\$1,000,000, being the revised annual cap of the Transactions for the year ending 31 December 2019 and 2020 respectively
"TCC"	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability
"TC Subaru"	TC Subaru Sdn. Bhd., a company incorporated in Malaysia and a wholly-owned subsidiary of the Company
"Transactions"	collectively, (i) the Existing Transactions and (ii) the APM Transactions

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

Hong Kong, 1 October 2019

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, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat. 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.