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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**

As the Existing APM Agreements will expire on 31 December 2020 and TC Subaru will continue to purchase certain spare parts from the APM Subsidiaries, the APM Agreements were entered into between TC Subaru and each of the APM Subsidiaries respectively on 1 December 2020 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the two year period from 1 January 2021 to 31 December 2022.

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 for 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 revised annual cap) on an annual basis is more than 0.1% but less than 5%, the Transactions (with revised annual cap) constitute continuing connected transactions for 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.

References are made to:

- (a) the announcement of the Company dated 1 October 2019 in relation to the Existing APM Agreements; and
- (b) the announcement of the Company dated 28 May 2020 in relation to, among other things, the Existing Transactions.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Transactions between TC Subaru and APM Subsidiaries in relation to the APM Agreements**

As the Existing APM Agreements will expire on 31 December 2020 and TC Subaru will continue to purchase certain spare parts from the APM Subsidiaries, the APM Agreements were entered into between TC Subaru and each of the APM Subsidiaries respectively on 1 December 2020 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the two year period from 1 January 2021 to 31 December 2022.

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 prevailing market prices of certain parts to be purchased by TC Subaru, TC Subaru will obtain the prices of similar parts in the market by collecting the relevant market information, reviewing and comparing the transaction conducted. In the absence of the prevailing market price, the operations department of the Company (or its respective subsidiary) will obtain quotations from at least two independent third parties for similar transactions and/or products with regard to the same type and quality of comparable products at a similar time for comparison and reference. Where the prevailing market price and/or price for similar transactions with independent third parties is unavailable, the parties shall determine the price with reference to the costs of such parts or such other relevant factors. The head of the operations department of the Company (or its respective subsidiary) will review and approve the purchase prices of the products. In any event, the price and terms on which the products purchased by the Group shall be on terms no less favourable to the Group than those prevailing in the market for the products of the same type and quality and at similar time and those offered by the APM Subsidiaries to independent third parties.

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.

### ***Historical Figures***

The historical figures for the aggregate annual transaction amount under the Existing APM Agreements for the year ended 31 December 2019 and the six months ended 30 June 2020 were HK\$395,000 and HK\$87,000 respectively.

### ***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 2021 and 2022 will not exceed HK\$1,000,000 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 are in the interests of the Group and its shareholders as a whole.

### **AGGREGATED REVISED ANNUAL CAP**

Based on the entering into 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 years ending 31 December 2021 and 2022 would exceed the existing annual cap of HK\$35,390,000 and HK\$37,640,000 respectively. Accordingly, the Board has decided to revise upwards the existing annual cap for the years ending 31 December 2021 and 2022.

The Directors estimate that the aggregate annual transaction amount for the Transactions for the years ending 31 December 2021 and 2022 (with revised annual cap) shall not exceed HK\$36,390,000 and HK\$38,640,000 respectively.

## **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 for 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 revised annual cap) on an annual basis is more than 0.1% but less than 5%, the Transactions (with revised annual cap) constitute continuing connected transactions for 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; (e) assembly of automobiles in Thailand; and (f) 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.

The principal business of TCC is investment holding.

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 revision of annual caps of the Transactions and terms of the APM Agreements.

## **DEFINITIONS**

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

<b>“APM”</b>	APM Automotive Holdings Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on Bursa Malaysia
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<b>"APM Agreements"</b>	collectively, the five (5) agreements dated 1 December 2020 between TC Subaru and each of the APM Subsidiaries respectively, for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru
<b>"APM Subsidiaries"</b>	collectively, five (5) subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Spring Sdn. Bhd., APM Automotive Modules Sdn. Bhd and Auto Parts Manufacturers Co. Sdn. Bhd.
<b>"APM Transactions"</b>	collectively, the transactions between TC Subaru and each of the APM Subsidiaries entered into pursuant to the APM Agreements
<b>"Board"</b>	the board of Directors
<b>"Company"</b>	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
<b>"connected person(s)"</b>	has the meaning ascribed to it under the Listing Rules
<b>"Directors"</b>	the directors of the Company
<b>"Existing APM Agreements"</b>	collectively, the four (4) agreements dated 1 October 2019 between TC Subaru and each of the four subsidiaries of APM respectively, for the purchase of certain spare parts from APM's subsidiaries by TC Subaru
<b>"Existing Transactions"</b>	collectively (i) the TCMH Transactions, (ii) the APM2 Transactions, (iii) the TCIMSB Transactions and (iv) the TCMH-VN Transactions as defined in the Company's announcements dated 27 November 2019 and 28 May 2020
<b>"Group"</b>	the Company and its subsidiaries
<b>"HK\$"</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>"Hong Kong"</b>	the Hong Kong Special Administrative Region of the PRC
<b>"Listing Rules"</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>"PRC"</b>	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
<b>"Subaru Corporation"</b>	previously known as 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

<b>"TCC"</b>	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability
<b>"TC Subaru"</b>	TC Subaru Sdn. Bhd., a company incorporated in Malaysia and a wholly owned subsidiary of the Company
<b>"Transactions"</b>	collectively, (i) the Existing Transactions and (ii) the APM Transactions
<b>"%"</b>	per cent.

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

Hong Kong, 1 December 2020

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.*