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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 CAPS  
AND  
CONTINUING CONNECTED TRANSACTIONS**

The Group anticipated a significant increase in its customers' orders for certain motor parts and accessories from June 2020 onwards due to an increase in its customers' demand for new varieties of motor parts and accessories that the Group is able to source from its supplier and offer them to its customers at competitive prices. In response to this anticipated customers' demand, the Group will need to purchase more parts and accessories from the TCMH Group under one of the TCMH Agreements in order to fulfil its customers' orders. Accordingly, the Board decided to revise upwards the annual caps for the transactions under the TCMH Agreements for each of the three years ending 31 December 2020, 2021 and 2022 from HK\$15,860,000, HK\$14,960,000 and HK\$15,160,000, respectively, to HK\$31,860,000, HK\$33,960,000 and HK\$36,160,000, respectively.

The TCMH-VN Agreements were entered into between TCIMVN and the TCMH Group on 28 May 2020 in relation to the sale and rental of forklifts and other material handling equipment, and sale of forklift parts and accessories by TCIMVN to the TCMH Group during the period from 28 May 2020 to 31 December 2022.

Each member of the TCMH Group 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 of the Company, each member of the TCMH Group is a connected person of the Company and the transactions contemplated under the TCMH-VN 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 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 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.

References are made to the announcements of the Company dated 27 November 2019 and 11 December 2019 in relation to, among other things, the TCMH Agreements respectively.

## **REVISION OF ANNUAL CAP**

The Group anticipated a significant increase in its customers' orders for certain motor parts and accessories from June 2020 onwards due to an increase in its customers' demand for new varieties of motor parts and accessories that the Group is able to source from its supplier and offer them to its customers at competitive prices. In response to this anticipated customers' demand, the Group will need to purchase more parts and accessories from the TCMH Group under one of the TCMH Agreements in order to fulfill its customers' orders. Accordingly, the Board decided to revise upwards the annual caps for the transactions under the TCMH Agreements for each of the three years ending 31 December 2020, 2021 and 2022 from HK\$15,860,000, HK\$14,960,000 and HK\$15,160,000, respectively, to HK\$31,860,000, HK\$33,960,000 and HK\$36,160,000, respectively.

The revised annual caps in relation to the transactions under one of the TCMH Agreements have been determined based on the revised estimation of the Group's demand for certain parts and accessories under the TCMH Agreements necessary to fulfill its customers' order. Save for the revision of the existing annual caps, all the terms and conditions of the TCMH Agreements shall remain unchanged.

The Directors (including the independent non-executive Directors) consider that the transactions under the TCMH Agreements (with the revised annual caps) are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business and are in the interests of the Group and its shareholders as a whole.

The Directors confirm that for the period commencing from 1 January 2020 and up to the date of this announcement, the actual transaction amounts in respect of the TCMH Agreements have not exceeded the existing annual cap for the financial year ending 31 December 2020.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Transactions between TCIMVN and the TCMH Group in relation to the TCMH-VN Agreements**

The TCMH-VN Agreements were entered into between TCIMVN (a wholly owned subsidiary of the Company) and the TCMH Group on 28 May 2020 in relation to the sale and rental of forklifts and other material handling equipment, and the sale of forklift parts and accessories by TCIMVN to the TCMH Group during the period from 28 May 2020 to 31 December 2022.

Pursuant to the TCMH-VN Agreements, payments will be settled by cash within 15 days from the date of each invoice.

### ***Pricing basis***

The prices and terms of the TCMH-VN Transactions were agreed between TCIMVN and the TCMH Group 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 charged to independent third parties in the market.

In negotiating the sale and rental prices of forklift and other material handling equipment, and the sale price of forklift parts and accessories with the TCMH Group, TCIMVN 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.

With respect of the sale of forklift, other material handling equipment and forklift parts and accessories by TCIMVN, the pricing shall be determined on a “cost plus” basis, which will be determined based on the cost of goods sold plus a margin of 15% to 20%. The margin is determined based on market practice adopted by other industry players. In any event, the prices and terms on which the products sold by TCIMVN shall be no less favourable to the Group than those prevailing in the market for the comparable products of the same type and quality and at similar time and those on which comparable products are sold by TCIMVN to independent third parties.

With respect of the rental fees for forklift and other material handling equipment, in determining the prevailing market price, the Group will obtain the prices of similar transactions in the market by collecting the relevant market information, reviewing and comparing the transactions 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 with regard to the same type and quality 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, among other things, the number and model of and the rental period of the forklift and other material handling equipment and the relevant costs. The head of the operations department of the Company (or its respective subsidiary) will review and approve the prices of the transactions. In any event, the prices and terms of the transactions shall be no less favourable to the Group than those prevailing in the market for transactions of the same type and quality and at similar time and those on which comparable transactions are carried out by TCIMVN with independent third parties.

### ***Internal Control Measures***

The Group has established the following internal control measures to monitor the transactions contemplated under the TCMH-VN Agreements to ensure that the terms of the TCMH-VN Agreements and its pricing basis is complied with:

- (i) The finance department of the Company will perform half-yearly reporting of the actual transaction amounts and the respective proposed annual caps of the transactions.

- (ii) The Company will have specifically designated personnel from the relevant departments to monitor the actual transaction amounts and report to the management team on a monthly basis in relation to the transactions to ensure that the respective proposed annual caps of the transactions are not exceeded and ensure compliance with the respective pricing basis of the transactions.
- (iii) The Company will conduct internal control review, including review of financial, operational and compliance controls, on a continuous basis.

Based on the above measures, the Directors are of the view that a system is in place to ensure that the pricing mechanism and the terms of the TCMH-VN Agreements are fair and reasonable and no less favourable to the Group than those offered to independent third parties.

### ***Annual Cap***

Based on (i) projections in anticipation of purchase orders to be received by TCIMVN under the TCMH-VN Agreements and (ii) the terms of the TCMH-VN Agreements, the Company estimates that the proposed annual caps for the transactions under the TCMH-VN Agreements for the period from 28 May 2020 to 31 December 2020 and the two years ending 31 December 2021 and 2022 will not exceed HK\$320,000 HK\$330,000 and HK\$380,000, respectively.

### ***Reasons for and benefits of the transaction***

The TCMH-VN Transactions provide TCIMVN with reliable purchasers for its goods and services and additional income to the Group. Given the Group's long established and stable business relationship with the TCMH Group and the market price offered to the connected persons pursuant to the TCMH-VN Agreements, the Board considers that the TCMH-VN Transactions are beneficial to the business of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the TCMH-VN Agreements and the TCMH-VN 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**

In light of the revised estimation of the Group's demand for certain parts and accessories under the TCMH Agreements and the entering into of the TCMH-VN Agreements, the aggregate transaction amounts under the Transactions would increase and it is expected that the estimated aggregate transaction amounts under the Transactions for each of the years ending 31 December 2020, 2021 and 2022 would exceed the existing annual caps of HK\$89,800,000, HK\$16,060,000 and HK\$16,260,000, respectively. Accordingly, the Board has decided to revise upwards the existing annual caps for each of the years ending 31 December 2020, 2021 and 2022 to HK\$106,120,000, HK\$35,390,000 and HK\$37,640,000, respectively.

The Directors confirm that for the period commencing from 1 January 2020 and up to the date of this announcement, the actual transaction amounts in respect of the Transactions have not exceeded the existing annual cap for the financial year ending 31 December 2020.

## **LISTING RULES IMPLICATIONS**

Each member of the TCMH Group 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 of the Company, each member of the TCMH Group is a connected person of the Company and the transactions contemplated under the TCMH-VN 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 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 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; (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 the TCMH Group includes assembly and distribution of motor vehicles and commercial vehicles, provision of after-sales services, provision of motor-related financial services such as hire purchase financing, insurance agency and leasing.

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 Transactions and has abstained from voting on the relevant resolution(s) of the Board approving revision of the annual caps of the TCHM Agreements, the Transactions and the terms of the TCMH-VN Agreements.

## **DEFINITIONS**

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

<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)” and “controlling shareholder”</b>	each has the meaning ascribed to it under the Listing Rules
<b>"Directors"</b>	the directors of the Company
<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>"TCC"</b>	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability
<b>“TCIMVN”</b>	Tan Chong Viet Nam Industrial Machinery Co., Ltd., a company incorporated in Vietnam with limited liability and a wholly owned subsidiary of the Company
<b>“TCMH”</b>	Tan Chong Motor Holdings Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on Bursa Malaysia
<b>“TCMH Agreements”</b>	the three (3) agreements dated 27 November 2019 entered into between the Group and the TCMH Group in relation to the sale and purchase of motor parts and accessories during the three year period from 1 January 2020 to 31 December 2022
<b>“TCMH Group”</b>	TCMH and its subsidiaries
<b>“TCMH-VN Agreements”</b>	the two (2) agreements dated 28 May 2020 entered into between TCIMVN and the TCMH Group in relation to the sale and rental of forklifts and other material handling equipment, and the sale of

forklift parts and accessories by TCIMVN to the TCMH Group during the period from 28 May 2020 to 31 December 2022

<b>"TCMH-VN Transactions"</b>	the transactions contemplated under the TCMH-VN Agreements
<b>"Existing Transactions"</b>	collectively, (i) the APM Transactions, (ii) the Assembly Transactions, (iii) the TCMH Transactions, (iv) the APM2 Transactions and (v) the TCIMSB Transactions as defined in the Company's announcement dated 27 November 2019
<b>"Transactions"</b>	collectively, (i) the Existing Transactions and (ii) the TCMH-VN 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, 28 May 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.*