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**Tan Chong International Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 693)

**CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 9 December 2005 and the annual reports for the financial years ended 31 December 2006 and 31 December 2005. The Group has been entering into the Transactions with the TCMH Group and the APM Group in its ordinary and usual course of business.

As the TCMH Group and the APM Group are indirectly owned as to approximately 45% and 43% respectively by the Tan Family through TCC. The TCMH Group and the APM Group are therefore connected persons of the Company. Hence, the Transactions constitute continuing connected transactions for the Company. Details of the Transactions have been reviewed by the Company's independent non-executive directors and auditors and have been disclosed in the annual reports.

Pursuant to Rule 14A.35(2) of the Listing Rules, the Company would like to present new developments and set an annual cap where applicable for the Transactions for the next three financial years ending 31 December 2010. As the relevant percentage ratios represented by the Transactions on an annual basis are more than 0.1% but less than 2.5%, the Transactions are pursuant to Rule 14A.34 of the Listing Rules subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.41 of the Listing Rules.

**BACKGROUND**

Reference is made to the announcement to the Company dated 9 December 2005 and the annual reports for the financial years ended 31 December 2006 and 31 December 2005. The Group has been entering into the Transactions with the TCMH Group and the APM Group in its ordinary and usual course of business.

Pursuant to Rule 14A.35(2) of the Listing Rules, the Company would like to present new developments and set an annual cap where applicable for the Transactions for the next three financial years ending 31 December 2010.

## CONTINUING CONNECTED TRANSACTIONS

### 1. Transactions between the Group and the TCMH Group

The Group has been conducting the following continuing connected transactions with the TCMH Group in its ordinary and usual course of business:-

- Sale and purchase of forklifts, trucks and motor vehicles
- Sale and purchase of spare parts and accessories

As disclosed in the Company's annual reports, the annual amounts of the transactions between the Group and the TCMH Group for the financial years ended 31 December 2006 and 2005 were HK\$6,833,000 and HK\$9,933,000 respectively. They represent more than 0.1% but less than 2.5% of the relevant percentage ratios under Rule 14A.34 of the Listing Rules. Details of the transactions between the Group and the TCMH Group have been reviewed by the independent non-executive directors and auditors of the Company. The Group has entered into written agreements on 6 December 2007, 10 December 2007 and 14 December 2007 respectively in relation to the above transactions each up to a period of 3 years with effect from 1 January 2008 to 31 December 2010.

#### New developments

- 1) The Group has entered into a written agreement on 4 December 2007 to take effect from 4 December 2007 for a period of 3 years, subject to annual review, on a new area of cooperation with the TCMH Group. The cooperation, named "TC Niscare" is a joint effort between TCMS and TCEAS. TCMS's customers can sign up as a member of TC Niscare for a fee to enjoy free emergency assistance service in Malaysia provided by TCEAS, capped at RM400 per annum per member. TCMS will pay TCEAS a fixed sum of money for each member sign-up. The targeted volume between TCMS and TCEAS for this cooperation is around RM300,000 (HK\$675,210).
- 2) The Group, through MISB, is a dealer retailing Nissan vehicles for TCSM Co, the distributor in Malaysia. Sales volumes especially from new Nissan models for the coming 3 years are expected to increase. The Group has entered into a written agreement on 1 December 2007 which will expire on 30 September 2008 to cover this transaction. The estimated quantum is in the region of RM4,000,000 (HK\$9,002,800) to RM7,000,000 (HK\$15,754,900) annually.

### 2. Transactions between the Group and the APM Group

The Group has been conducting the sale and purchase of spare and maintenance parts and accessories with the APM Group in its ordinary and usual course of business.

As disclosed in the Company's annual reports, the annual amounts of the transactions between the Group and the APM Group for the financial years ended 31 December 2006 and 2005 were HK\$4,772,000 and HK\$5,918,000 respectively. They represent

more than 0.1% but less than 2.5% of the relevant percentage ratios under Rule 14A.34 of the Listing Rules. Details of the transactions between the Group and the APM Group have been reviewed by the independent non-executive directors and auditors of the Company. The Group has entered into written agreement on 31 December 2007 in relation to the above transactions up to a period of three years with effect from 1 January 2008 to 31 December 2010.

#### New developments

In view that the new batch of Euro4 emission compliant commercial vehicles are already fitted with accessories which the Group used to purchase from the APM Group the transaction volumes with the APM Group for years 2008, 2009 and 2010 are expected to fall substantially.

The TCMH Group and the APM Group are indirectly owned as to 45% and 43% respectively by the Tan Family through TCC. The TCMH Group and the APM Group are therefore connected persons of the Company. Hence, the Transactions constitute continuing connected transactions for the Company.

### **3. Pricing basis**

Given that the Transactions are entered into by the Group with parties connected or otherwise associated with one another, these Transactions are aggregated and treated as if they were one transaction pursuant to Rule 14A.26 of the Listing Rules. The Transactions between the Group with the TCMH Group and the APM Group have been entered into in the ordinary and usual course of business of the Group and either on normal commercial terms or on terms no less favourable than those available to or from (as appropriate) independent third parties.

The prices and terms of these Transactions were agreed between the Group with each of the TCMH Group and the APM Group on agreement or order-by-order basis and on arm's length terms taking into account the value and volume of the orders, the type and design of the products and any other specific requirements. The Transactions have been or will be in the form of agreements, purchase orders and/or email confirmations.

Basing on (i) the amount of the Transactions in the previous years; (ii) the amount of the Transactions in the first six months of year 2007; (iii) projections in anticipation of orders due to market demand for motor vehicles and equipments; and (iv) new collaborations and business opportunities described above where, for instance, under the dealership arrangement for TCSM Co, the estimated quantum is in the region of RM4,000,000 (HK\$9,002,800) to RM7,000,000 (HK\$15,754,900) annually, the Company estimated that the proposed annual caps for all such Transactions to be annually capped at HK\$25,000,000, HK\$29,000,000 and HK\$33,000,000 for each of the three financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

The directors of the Company consider the proposed annual caps to be reasonable. As the relevant percentage ratios represented by these Transactions on an annual basis are more than 0.1% but less than 2.5% pursuant to Rule 14A.34 of the Listing Rules the Transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.41 of the Listing Rules.

Breakdowns of the aggregate historical amounts and the aggregate proposed caps of the transactions between the Group with each of the TCMH Group and the APM Group are tabulated hereunder:

<b>Year</b>	<b>TCMH Group and APM Group</b>
<i>Historical amounts</i>	<i>HK\$</i>
2005	24,835,000
2006	18,579,000
2007*	8,323,000
<i>Proposed annual caps</i>	
2008	25,000,000
2009	29,000,000
2010	33,000,000

*\* for the first six months ended 30 June 2007*

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Transactions provide the Group with reliable and competitive suppliers and purchasers (as the case may be) for its goods and services. The price and terms of the Transactions have been and will be agreed on an agreement or order-by-order basis and at arm's length negotiations with the relevant connected persons taking into account the value and volume of the orders, the type and design of the products and any other specific requirements. Given the Group's long established and stable business relationship with the connected persons, the Board considers that the continuation of the Transactions is beneficial to the business of the Group.

The directors of the Company (including the independent non-executive directors) consider that the Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations, and are fair and reasonable and in the best interests of the Group and the shareholders of the Company as a whole.

## **GENERAL**

The principal activity of the Company is investment holding. The businesses of its principal subsidiaries consist of distribution of motor vehicles in Singapore, Hong Kong, China and Thailand, industrial equipment distribution in Singapore, China, Vietnam and Thailand, property development and rental in Singapore and Hong Kong and parts manufacturing in China.

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, hire purchase financing, insurance agency and property development and investment.

The principal business of the APM Group is the manufacture and sale of motor vehicle component parts, spare parts and accessories.

As at the date of this announcement, the Board comprises:

*Executive directors*

Mr. Tan Eng Soon

Mr. Joseph Ong Yong Loke

Mr. Tan Kheng Leong

Mr. Neo Ah Chap

Mdm. Sng Chiew Huat

*Independent non-executive directors*

Mr. Lee Han Yang

Mdm. Jeny Lau

Mr. Masatoshi Matsuo

*The Honorary Life Counsellor is Dato' Tan Kim Hor*

## DEFINITIONS

“APM”	APM Automotive Holdings Berhad, a company incorporated in Malaysia with limited liability in 1997, the shares of which are listed on the Kuala Lumpur Stock Exchange
“APM Group”	APM and its subsidiaries, a former subsidiary group of TCMH Group
“Company”	Tan Chong International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected persons”	having the same meaning ascribed in the Listing Rules
“continuing connected transactions”	continuing connected transactions as defined under Chapter 14A of the Revised Listing Rules
“Group”	Tan Chong International Limited and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MISB”	Motor Image Sdn Bhd, a company incorporated in Malaysia with limited liability and a wholly owned subsidiary of the Company
“RM”	Malaysian Ringgit
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tan Family”	the ex-chairman and current honorary life counsellor of the Company, Dato’ Tan Kim Hor and his family, together with the family of Dato’ Tan Kim Hor’s late brother, Tan Sri Dato’ Tan Yuet Foh, who are together interested in the entire issued share capital of TCC
“TCC”	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability in 1973 and wholly-owned by the Tan Family. It is interested in approximately 45% and 43% in TCMH and APM respectively and is the controlling shareholder (as defined in the Listing Rules) of the Company

“TCEAS”	Tan Chong Ekspres Auto Servis Sdn Bhd, incorporated in Malaysia with limited liability and a wholly owned subsidiary of TCMH
“TCMS”	Tan Chong Motor Sales Pte Ltd, incorporated in Singapore with limited liability and a wholly owned subsidiary of the Company
“TCMH”	Tan Chong Motor Holdings Berhad, a company incorporated in Malaysia with limited liability in 1972, the shares of which are listed on the Kuala Lumpur Stock Exchange
“TCMH Group”	TCMH and its subsidiaries
“TCSM Co”	Tan Chong and Sons Motor Co. Sdn Bhd., incorporated in Malaysia with limited liability and a wholly owned subsidiary of TCMH.
“Transactions”	collectively, the transactions between the Group and the TCMH Group and the transactions between the Group and the APM Group as described in details under the heading of “Continuing Connected Transactions”
“%”	Per cent

By Order of the Board  
**Navin Aggarwal**  
**Company Secretary**

Hong Kong, 15 January 2008

*The announcement is available for viewing on the website of Hong Kong Stock Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Companies Information” and at the website of the Company at [www.tanchonginternational.com](http://www.tanchonginternational.com).*

*Unless otherwise stated, amounts in RM have been translated into HK\$ at the exchange rate of RM1 to HK\$2.2507 for illustration purposes only. No representation is made that any amounts in RM or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rate at all.*