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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)

DISCLOSABLE TRANSACTION
FORMATION OF JOINT VENTURE

On 8 February 2017, FHI and TCMA entered into the JV Agreement to form the JV Company for the CKD production of Subaru vehicles in Thailand.

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the formation of the JV Company exceeds 5% but less than 25%, the entering into of the JV Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but are exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

Reference is made to the Company's announcement dated 17 January 2017 in relation to a joint venture proposal.

The Board is pleased to announce that on 8 February 2017, FHI and TCMA, a wholly owned subsidiary of the Company entered into the JV Agreement to form the JV Company for the CKD production of Subaru vehicles in Thailand. The principal terms of the JV Agreement are set out below.

THE JV AGREEMENT

Date

8 February 2017

Parties

(i) FHI

(ii) TCMA

As at the date of this announcement, the Group is interested in approximately 1.45% of the total issued share capital of FHI.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, FHI and its ultimate beneficial owner are third parties independent of the Company and the Company's connected person.

Planned Investment

The Planned Investment is THB 5 billion (equivalent to approximately HK\$1.1 billion). Contributions to the Planned Investment by the Parties are as follows:

Party	Planned Investment (THB)	Percentage of equity interest in the JV Company
FHI	THB 1,255 million	25.1%
TCMA	<u>THB 3,745 million</u>	<u>74.9%</u>
Total	THB 5,000 million	100.0%

The Planned Investment will be injected by the Parties in two tranches. The Parties will contribute the first tranche of THB 2,857.1 million representing approximately 57.1% of the Planned Investment by end of March 2017. The balance amount of the Planned Investment of THB 2,142.9 million will be made by the Parties by January 2018 subject to amendments as may be mutually agreed by the Parties. Each Party will contribute to the first and second tranche payments of the Planned Investment according to their respective equity interest in the JV Company.

The amount of contribution to the Planned Investment made by the Parties was arrived at after arm's length negotiations between the Parties taking into account the working capital and other fund requirements of the JV Company.

The Company intends to finance its contribution to the Planned Investment by internal resources of the Group, bank borrowing facilities, and/or other fund raising activities.

Purpose of the JV Company

The JV Company will engage in CKD production of Subaru vehicles in Thailand to supplement FHI and the Group's growing business activities. The JV Company will further reinforce their existing business foundations in Southeast Asia. FHI intends to work with the Group to expand the distribution of Subaru vehicle in the region. The JV Company aims to commence production in 2019.

Board composition

The board of directors of the JV Company will consist of 3 directors. One director will be appointed by FHI and the remaining two directors will be appointed by TCMA. The chairman of the JV Company will be appointed by TCMA.

Restrictions on equity transfers and encumbrances

Neither Party may transfer any of its shares in the JV Company to any person without the prior written consent of the other Party.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Parties have a wide range of complementary expertise. FHI has expertise in engineering, manufacturing, procurement, quality management and assurance as well as design and product development of Subaru passenger vehicles. FHI can assist the JV Company in the efficient assembly of high quality Subaru passenger vehicles. TCMA has local operational experience and administrative resources necessary for the business of the JV Company. The JV Company may also leverage on the Company's distribution and after sales network in South East Asia.

Having considered the above, the Directors are of the view that the terms of the JV Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE GROUP AND PARTIES

The principal business of the Group includes (a) distribution and aftersales of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, Philippines, Malaysia, Indonesia, Vietnam, Cambodia, and sales and aftersales of motor vehicles in Southern part of the China; (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 China; and (e) provision of vehicle transportation service and human resources management service in relation to transportation business in Japan.

The principle business of TCMA is in the assembly of automobiles in Thailand.

The principle business of FHI includes (a) the manufacture, repair, and sales of Subaru passenger cars and their components; (b) the manufacture, repair, and sales of airplanes aerospace-related machinery and their components; and (c) the manufacture, sales, repair of generators, engine-equipped machinery, agricultural machinery, construction machinery, other machine tools and their components.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the formation of the JV Company exceeds 5% but less than 25%, the entering into of the JV Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but are exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“CKD”	Complete knock down
“Company”	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
“Directors”	the directors of the Company
“FHI”	Fuji Heavy Industries Limited, a corporation established under the laws of Japan, the shares of which are listed on the Tokyo Stock Exchange
“Group”	the Company and its subsidiary
“HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“JV Agreement”	a joint venture agreement dated 8 February 2017 between FHI and TCMA to form the JV Company for the CKD production of Subaru vehicles in Thailand
“JV Company”	a limited liability company to be established in Thailand pursuant to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	parties to the JV Agreement, namely FHI and TCMA (each a “Party”)
“Planned Investment”	planned investment amount into the JV Company
“TCMA”	TC Manufacturing and Assembly (Thailand) Co., Ltd., a company incorporated in Thailand and a wholly-owned subsidiary of the Company
“THB”	Thai Baht, the lawful currency of Thailand
“%”	per cent.

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

Hong Kong, 8 February 2017

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

As at the date of this announcement, the Executive Directors are Mr. Tan Eng Soon, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Non-Executive Director is Mr. Joseph Ong Yong Loke. Independent Non-Executive Directors are Mr. Lee Han Yang, Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim and Mr. Teo Ek Kee.