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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 TRANSACTION

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement dated 30 May 2014 of Tan Chong International Limited (the "**Company**") in relation to certain continuing connected transactions of the Company (the "**Announcement**"). This supplemental announcement is made to supplement certain information contained in the Announcement. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

THE APM SERVICE AGREEMENT

In ensuring that the service fees charged by APMER would be no less favourable than the fees charged by the independent third parties in the market for similar services, the Company compared the service fees charged by, an existing independent third party service provider of the Company providing similar services (the "**Existing Provider**"), and other independent third party service providers. There are not many independent third parties in the market which would provide similarly full range of services as those offered by APMER. The Existing Provider only offers a limited range of services, including factory management and production efficiency planning, without any design services.

The service fees, calculated based on hourly rates and positions held by the technical experts, charged by APMER were more favourable compared with those offered by the Existing Provider.

NJTC also obtained quotations of service fees from other independent third party service providers for certain individual category of services. The service fees charged by these service providers were less favourable compared with those offered by APMER.

Pursuant to the APM Service Agreement, the daily rates of the technical experts range from US\$28.125 to US\$112.5 per hour.

THE APMS PURCHASE AGREEMENT

In negotiating the price of the Seat Parts Purchase with APMS, NJTC shall follow the following general pricing principles:

1. relevant market price;
2. in the absence of the relevant market prices, with reference to the price for similar transactions with independent third parties; or
3. where none of the above exists, then according to the price to be agreed between the parties.

In determining the prices for the purchase under the APMS Purchase Agreement where similar comparables are available, NJTC will obtain the prices of similar products in the market by obtaining quotations from at least two independent third parties, which will then be compared against the price quoted by APMS.

The following assessment criteria would be taken into account in determining the supplier to be engaged by NJTC:

1. whether the potential supplier can produce Seat Parts in accordance with the specifications requested by clients;
2. whether the potential supplier can offer reliable and safe products; and
3. whether the prices quoted are reasonable.

NJTC has adopted the following approval process:

1. the responsible staff of NJTC would prepare and submit business plan to the relevant departments for approval of the purchase of the Seat Parts; and
2. after due consideration of the business plan, the director(s) of NJTC who is in charge of the relevant departments would make decisions on whether to proceed with the purchase of the Seat Parts with such potential supplier.

Based on the above measures, the Directors can ensure that a system is in place to check that the price of the Seat Parts is no less favourable than those offered by independent third parties.

By the order of the Board
Tan Chong International Limited
Joseph Ong Yong Loke
Deputy Chairman and Managing Director

Hong Kong, 11 June 2014

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

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. The independent non-executive Directors are Mr. Lee Han Yang, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck.