

**TAN CHONG MOTOR HOLDINGS BERHAD (Company No. 12969-P)  
-Sole and Exclusive Rights to Distribute King Long Coach in Vietnam**

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**Introduction**

The Board of Directors of Tan Chong Motor Holdings Berhad (“TCMH” or “the Company”) is pleased to announce that TC Motor Vietnam Co., Ltd (“TCMV”), a wholly-owned subsidiary of TCMH, has on 10 January 2018 entered into an Exclusive Distributorship Agreement (“Agreement”) with Xiamen King Long United Automotive Industry Co., Ltd (“King Long”) of No. 9, King Long Road, Jimei District, Xiamen 361023, Fujian, People’s Republic of China in respect of the appointment of TCMV (“Appointment”) as King Long’s sole and exclusive distributor, assembler and after-sales service provider (including the sale and distribution of spare parts) of King Long XMQ6829Y coach model, in both completely assembled form and in its bare chassis form (“King Long Products”), in Vietnam.

**Information on TCMV**

TCMV is a wholly-owned subsidiary of TCIE (Labuan) Pty Ltd, which in turn is a wholly-owned subsidiary of TCMH.

TCMV was established under the laws of Vietnam on 8 July 2005 to carry on the principal activities of manufacturing and assembly of buses, trucks and automobiles, in Vietnam.

**Information on King Long**

King Long is a company incorporated in the People’s Republic of China which specialises in the design, production and sale of various buses, minibuses and coaches. Founded in 1988, King Long has its own research and development (“R&D”) and testing institutions approved by the Government, such as Corporate Technical Centre, Postdoctoral Scientific Research Workstation, as well as Safety & Energy-Saving Testing Centre, which bring together 600 technical elites in the industry. King Long ranks No. 1 in the industry in China in terms of corporate R&D strength and product technology. It has three (3) manufacturing bases in China with total land area of 800,000 m<sup>2</sup> and annually produces 25,000 buses and coaches as well as 30,000 mini vans.

**Salient Terms of the Agreement**

Pursuant to the Agreement, King Long grants TCMV, the sole and exclusive right to do the following within Vietnam (“Territory”):

- (i) To assemble King Long Products;
- (ii) To promote, distribute and sell the completely assembled King Long Products; and
- (iii) To render after-sales service to King Long Products (including sale and distribution of spare parts).

The initial term of the Agreement shall be for a period of five (5) years (“Initial Term”) commencing from the date of execution of the Agreement by both TCMV and King Long, and may be extended subject to the parties’ mutual written agreement. The parties shall commence negotiation on the terms governing such renewal at least six (6) months prior to the expiry of the Initial Term.

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**Rationale**

King Long is a renowned bus manufacturer which has complete buses and coaches range that will facilitate TCMV's penetration into different bus/coach segment. In addition, King Long also offered to collaborate with the TCMH Group in Malaysia.

King Long had experience in Vietnamese market from year 2006 – year 2010 via its collaboration with a local automotive corporation in Vietnam. The securing of the King Long franchise will enable TCMV to complete its application for manufacturing licence from the Vietnamese authorities.

**Financial Effects**

TCMV plant is expected to start operation in Q4 2018. The working capital requirement for the new King Long business in Vietnam for the first five (5) years of operation is estimated at USD9 million (including plant construction cost and purchase of equipment) to be funded by TCMH Group from its internal sources.

The new King Long business will not contribute significantly to TCMH Group's revenue and profit for the financial year ending 31 December 2018 but is expected to contribute positively to the earnings of TCMH Group in the long term.

The Company does not foresee any exceptional risks other than the normal operational risks associated with the new King Long business. The Company will take the necessary steps to mitigate the risks as and when they occur.

**Directors' and Substantial Shareholders' Interests**

None of the Directors, substantial shareholders of TCMH and/or persons connected with them, has any interest, direct or indirect, in the Appointment.

**Directors' Statement**

The Board of Directors of the Company is of the opinion that the Appointment is in the ordinary course of business and in the best interest of TCMH Group.

This announcement is dated 10 January 2018.