TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2010
(THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2010	Preceding Year Corresponding Quarter 30.06.2009	Current Year To-date 30.06.2010	Preceding Year Corresponding Period 30.06.2009
	RM'000	RM'000	RM'000	RM'000
Revenue	927,925	698,035	1,798,292	1,390,929
Operating profit	97,343	43,281	190,976	94,540
Interest expense	(5,679)	(4,056)	(12,582)	(9,902)
Interest income	4,361	2,844	5,965	5,828
Share of profit of associates	(72)	(75)	507	82
Profit before taxation	95,953	41,994	184,866	90,548
Tax expense	(31,769)	(7,270)	(55,756)	(14,016)
Profit for the period	64,184	34,724	129,110	76,532
Attributable to:				
Equity holders of the Company	63,655	34,587	128,328	76,169
Minority interest	529	137	782	363
	64,184	34,724	129,110	76,532
Earnings per share (sen)				
(a) Basic	9.75	5.34	19.66	11.60
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2010
(THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2010 RM'000	Preceding Year Corresponding Quarter 30.06.2009 RM'000	Current Year To-date 30.06.2010 RM'000	Preceding Year Corresponding Period 30.06.2009 RM'000
Profit for the period	64,184	34,724	129,110	76,532
Foreign currency translation differences for foreign operations	140	100	197	(88)
Cash flow hedge	11,399	-	5,255	-
Other comprehensive income for the period, net of tax	11,539	100	5,452	(88)
Total comprehensive income for the period	75,723	34,824	134,562	76,444
Total comprehensive income attributable to:				
Equity holders of the Company	75,194	34,687	133,780	76,081
Minority interest	529	137	782	363
Total comprehensive income for the period	75,723	34,824	134,562	76,444

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	(Unaudited) As at end of current quarter 30.06.2010 RM'000	As at preceding financial year end 31.12.2009 RM'000 restated
ASSETS		
Non-current assets		
Property, plant and equipment	587,977	584,941
Investment properties	10,536	10,582
Investments in associates	18,788	18,281
Other investments	1,807	1,806
Deferred tax assets	5,022	4,881
Hire purchase receivables	317,247	259,504
Long term receivables	4,907	7,116
	946,284	887,111
Current assets		
Other investments	290,939	423,333
Hire purchase receivables	71,247	117,220
Receivables, deposits and prepayments	348,112	235,107
Current tax assets	7,579	15,047
Inventories	603,068	673,185
Derivative assets	5,330	-
Asset classified as held for sale	-	2
Cash and cash equivalents	205,272	114,377
	1,531,547	1,578,271
TOTAL ASSETS	2,477,831	2,465,382

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 (continued)

	(Unaudited) As at end of current quarter 30.06.2010 RM'000	As at preceding financial year end 31.12.2009 RM'000 restated
EQUITY AND LIABILITIES		
Equity		
Share capital	336,000	336,000
Reserves	1,307,027	1,202,549
Treasury shares	(24,778)	(24,777)
Total equity attributable to equity holders of the Company	1,618,249	1,513,772
Minority interest	5,188	4,406
Total equity	1,623,437	1,518,178
Non-current liabilities		
Deferred tax liabilities	18,666	8,669
Borrowings	372,917	260,590
Employee benefits	23,879	22,286
	415,462	291,545
Current liabilities		
Payables and accruals	256,504	267,289
Borrowings	159,703	387,643
Taxation	22,725	725
Liability classified as held for sale	-	2
	438,932	655,659
Total liabilities	854,394	947,204
TOTAL EQUITY AND LIABILITIES	2,477,831	2,465,382
Net assets per share attributable to equity holders of the Company (RM)	2.48	2.32

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010 (THE FIGURES HAVE NOT BEEN AUDITED)

	|---------- Attributable to Equity Holders of the Company					----------|		
		|----Non-Distributable----|						
	Share capital RM'000	**Treasury shares RM'000**	**Other reserves RM'000**	**Hedging reserves RM'000**	**Distributable reserves RM'000**	**Total RM'000**	**Minority Interest RM'000**	**Total Equity RM'000**
At 01.01.2009	336,000	(13,024)	31	-	1,098,454	1,421,461	3,557	1,425,018
Total comprehensive income for the period	-	-	(88)	-	76,169	76,081	363	76,444
Purchase of treasury shares	-	(9,420)	-	-	-	(9,420)	-	(9,420)
Dividend – 2008 Final	-	-	-	-	(24,542)	(24,542)	-	(24,542)
At 30.06.2009	336,000	(22,444)	(57)	-	1,150,081	1,463,580	3,920	1,467,500
At 01.01.2010	336,000	(24,777)	(177)	-	1,202,726	1,513,772	4,406	1,518,178
- Effects on the adoption of FRS 139	-	-	-	75	-	75	-	75
At 01.01.2010, as restated	336,000	(24,777)	(177)	75	1,202,726	1,513,847	4,406	1,518,253
Total comprehensive income for the period	-	-	197	5,255	128,328	133,780	782	134,562
Purchase of treasury shares	-	(1)	-	-	-	(1)	-	(1)
Dividend – 2009 Final	-	-	-	-	(29,377)	(29,377)	-	(29,377)
At 30.06.2010	336,000	(24,778)	20	5,330	1,301,677	1,618,249	5,188	1,623,437

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2010 (THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL/CUMULATIVE QUARTER	
	For the 6 months ended 30.06.2010 RM'000	**For the 6 months ended 30.06.2009 RM'000**
Profit before tax	184,866	90,548
Adjustments for:		
Non-cash items	21,158	26,311
Non-operating items (which are investing/financing)	6,402	4,074
Operating profit before working capital changes	212,426	120,933
(Increase)/decrease in working capital	(63,234)	360,720
Other cash used (tax payment etc.) in operations	(23,276)	(38,200)
Net cash generated from operating activities	125,916	443,453
Net cash generated from investing activities	109,970	5,277
Net cash used in financing activities	(144,711)	(325,259)
Net increase in cash and cash equivalents	91,175	123,471
Cash and cash equivalents at beginning of the year	114,019	76,174
Cash and cash equivalents at end of the period	205,194	199,645

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new and revised FRSs, amendments and interpretations issued by the Malaysian Accounting Standards Board (MASB) applicable to the Group on 1 January 2010.

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 8, *Operating Segments*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  – *Puttable Financial Instruments and Obligations Arising on Liquidation*
  – *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  – *Reclassification of Financial Assets*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 – *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*
- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

2. Changes in Accounting Policies (continued)

The adoption of the above FRSs, amendments and interpretations did not have any significant effects on the interim financial report upon their initial application, other than as discussed below:

(a) FRS 8: Operating Segments

Prior to the adoption of FRS 8, the Group's segment reporting was based on a reporting format of business segments. With the adoption of FRS 8, the Group's segment reporting has been changed to operating segments based on the segment information provided to the Boards of Directors. The comparatives of the preceding year corresponding period are re-presented to conform to the current period presentation, as disclosed in Note 9.

(b) FRS 101: Presentation of Financial Statements (revised)

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of income statement, a statement of changes in equity, a statement of cash flows and notes to the financial statements. This revised FRS does not have any impact on the financial position and results of the Group.

(c) FRS 7: Financial Instruments

The adoption of FRS 7 requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures had been made in these interim financial statements.

(d) Amendment to FRS 117, Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy had been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendment to FRS 117:

	31.12.2009	
	As restated RM'000	**As previously stated RM'000**
Property, plant and equipment	584,941	493,765
Prepaid lease payments	-	91,176

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

2. Changes in Accounting Policies (continued)

(e) FRS 139, Financial Instruments: Recognition and Measurement, and Amendments to FRS 139: Financial Instruments: Recognition and Measurement

The new standard on FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and contracts to buy and sell non-financial items.

FRS 139 has been applied prospectively in accordance with the transitional provisions of the standard. In accordance to the transitional provisions for first-time adoption of FRS 139, adjustments arising from re-measuring the financial instruments as at 1 January 2010 were recognised as adjustments of the opening balance of retained earnings or other appropriate reserves. Comparatives are not adjusted.

Since FRS 139 is applied prospectively, its adoption does not affect the profit or loss for the preceding year corresponding quarter ended 30 June 2009.

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

ii) Financial instrument categories and subsequent measurement

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Loans and receivables

Loans and receivables category comprises debts instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

2. Changes in Accounting Policies (continued)

(e) FRS 139, Financial Instruments: Recognition and Measurement, and Amendments to FRS 139: Financial Instruments: Recognition and Measurement (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

c) Available-for-sale financial assets

Available-for-sale financial assets comprise investment in debt securities that are not held for trading and are subsequently measured at fair value with gain or loss recognised in other comprehensive income.

All financial assets, except for those measured at fair value through profit and loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorized as fair value through profit and loss.

Fair value through profit and loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit and loss are subsequently measured at their fair values with the gain or loss recognized in profit and loss.

iii) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge design is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

2. Changes in Accounting Policies (continued)

(e) FRS 139, Financial Instruments: Recognition and Measurement, and Amendments to FRS 139: Financial Instruments: Recognition and Measurement (continued)

iii) Hedge accounting (continued)

Cash flow hedge (continued)

The application of the above new policies has the following effects:

	Hedging reserves	
	2010	**2009**
	RM'000	**RM'000**
At 01.01.2010, as previously stated	-	-
Adjustment arising from adoption of FRS 139:		
- Recognition of derivatives previously not recognized	75	-
At 01.01.2010, as restated	75	-

The Group has not applied the following FRSs,amendments and interpretations that have been issued by the MASB but are not applicable for the Group:

FRSs, interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The Group will adopt these relevant Standards beginning on 1 January 2011. The adoption of these new Standards in next financial year is not expected to result in any significant impact in the accounting policies of the Group.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

3. Audit qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2009.

4. Seasonal or cyclical factors

During the quarter, the business of the Group had not been affected by any significant seasonal or cyclical factors, apart from the general economic environment in which it operated.

5. Unusual items

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flow for the period.

6. Material changes in estimates

There were no material changes in estimates in respect of amounts reported in prior financial year.

7. Debt and equity securities

During the current financial quarter, the Company bought back 100 units of its own shares through the open market at RM4.01. The total consideration paid for this transaction including transaction costs was RM442 and this was financed by internally generated funds. The cumulative total number of shares bought back at the end of the financial quarter was 19,181,100.

The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Program, the Group has completed a third issuance of RM224 million nominal value of MTN on 3 May 2010. During the quarter under review, the Group has redeemed RM15 million nominal value of Class A MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C is RM343 million at the end of the financial quarter.

Save for the above, there were no other issuance and repayment of debt securities, share cancellation and resale of treasury shares during the period.

8. Dividend paid

A final dividend of 12% less tax of 25% for the year ended 31 December 2009 (2008 – 10% less tax 25%) amounting to RM29.3 million (2008 – RM24.5 million) was paid on 18 June 2010.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

9. Segmental reporting

For the six months ended 30 June 2010

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	30.6.2010 RM'000	**30.6.2009 RM'000**	**30.6.2010 RM'000**	**30.6.2009 RM'000**	**30.6.2010 RM'000**	**30.6.2009 RM'000**	**30.6.2010 RM'000**	**30.6.2009 RM'000**
External revenue	1,778,072	1,379,718	20,047	11,172	173	39	1,798,292	1,390,929
Inter-segment revenue	2,221	2,376	1,088	783	8,999	8,978	12,308	12,137
Segment EBITDA*	208,769	117,652	14,584	4,761	2,929	7,603	226,282	130,016

**Segment earnings before interest, taxation, depreciation and amortisation*

Reconciliation of reportable segment profit or loss:

	30.06.2010 RM'000	**30.06.2009 RM'000**
Total EBITDA for reportable segments	226,282	130,016
Depreciation and amortisation	(28,788)	(27,600)
Finance costs	(12,582)	(9,902)
Interest income	5,965	5,828
Share of profit of associates not included in reportable segments	507	82
Unallocated corporate expenses	(5,804)	(6,250)
Others	(714)	(1,626)
Consolidated profit before tax	184,866	90,548

10. Valuation of property, plant and equipment

The valuation of property, plant and equipment were brought forward without amendment from the annual financial statements for the year ended 31 December 2009.

11. Material subsequent event

The Board is not aware of any material event subsequent to the end of the period reported on that have not been reflected in the financial statement for the period.

12. Changes in composition of the Group

There were no changes in the composition of the Group for the period under review.

13. Changes in contingent liabilities or contingent assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

14. Capital commitments outstanding not provided for in the interim financial report

	30.06.2010 RM'000	31.12.2009 RM'000
Property, plant and equipment		
Authorised and contracted for		
In Malaysia	51,141	16,051
Outside Malaysia	6,033	6,262
Authorised but not contracted for		
In Malaysia	140,182	204,760
	197,356	227,073

15. Significant related party transactions

(a) Significant transactions with Warisan TC Holdings Berhad (WTCH) and APM Automotive Holdings Berhad (APM) Groups, companies in which certain Directors of the Company, namely Dato' Tan Heng Chew and Tan Eng Soon, are deemed to have substantial financial interests, are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.10 RM'000	30.06.09 RM'000	30.06.10 RM'000	30.06.09 RM'000
With WTCH Group				
Sales	(3,479)	(2,005)	(8,784)	(4,010)
With APM Group				
Purchases	27,039	8,288	56,617	16,557

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

(b) Significant transactions with Nissan Motor Co. Limited Group, Japan, a substantial shareholder of the Company, are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.10 RM'000	30.06.09 RM'000	30.06.10 RM'000	30.06.09 RM'000
Purchases	248,510	98,164	497,020	196,328

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Explanatory notes as per Financial Reporting Standard (FRS) 134 Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

15. Significant related party transactions (continued)

(c) Significant transactions with Auto Dunia Sdn. Bhd.:

(i) a company in which a former Director of the Company, namely Azman bin Badrillah (resigned on 1 July 2010) has substantial financial interest; and

(ii) a company connected to certain Directors of the Company, namely Dato' Tan Heng Chew and Tan Eng Soon by virtue of Section 122A of the Companies Act 1965.

	Individual Quarter		**Cumulative Quarter**	
	30.06.10	**30.06.09**	**30.06.10**	**30.06.09**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchases	51,890	21,475	126,128	42,951

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Review of performance

The current interim results reflects a durable recovery in TIV (total industry volume) but with a more pronounced 29.3% increase in revenue and doubling in operating and pre-tax profits compared to the same period in 2009. Volumes accompanied by pricing flexibility through localisation, to a large extent impacted the 1H more than a stronger Ringgit. Despite higher tax provision, 1H 2010 is above 1H 2008, our previous record year, in terms of revenue and profit.

2. Comparison with preceding quarter's results

Q2 2010 is our second consecutive increase in sales and pre-tax profits after volumes stabilized and bottomed in Q4 2009. Revenue at RM927.9 million for the three months ended is approaching the billion ringgit mark achieved during the previous peak in Q3 2008.

Unlike in Q1 2010, the earlier RM6.0 million marked to market paper loss on forward contracts for hedging purposes reversed into a RM11.4 million gain in Q2 2010 under the same measure in accordance with fair value accounting for financial instruments under FRS 139.

3. Current year prospects

In spite of higher business activity, net gearing remains negligible and working capital is under control. Productivity gains as well as creditworthiness to structure finance our receivables had enabled the Company to meet higher demand without using up more capital. But as the business scale of Tan Chong continues to develop in the next few years, its capital requirements may need to increase correspondingly.

Our business is still subject to market volatility. July car sales had softened but August is seeing rush orders before Hari Raya holidays in September. October-November may be busier and December is usually quiet again.

4. Comparison with profit forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2010 RM'000	**30.06.2009 RM'000**	**30.06.2010 RM'000**	**30.06.2009 RM'000**
Current year	25,572	6,973	45,892	17,733
Prior year	386	297	423	181
Deferred tax	5,811	-	9,441	(3,898)
	31,769	7,270	55,756	14,016

Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

5. Taxation (Continued)

Taxation for the quarter under review is higher compared to corresponding period last year due to improved profit and Reinvestment Allowance has been exhausted.

The effective tax rate is higher than the statutory rate of 25% due to certain expenses disallowed for tax purposes and absence of full group relief.

6. Profits on sales of unquoted investments and/or properties

There were no sale of unquoted investments and/or properties for the current financial quarter ended 30 June 2010.

7. Quoted securities

There were no purchases or disposals of quoted securities for the current financial quarter ended 30 June 2010.

The adoption of FRS 139 has resulted in the Group's short term investment which consists of quoted securities classified under "Financial assets at fair value through profit and loss (FAFVPL)".

FAFVPL are subsequently measured at fair value with gain or loss recognised in profit or loss. This category of financial assets is classified as current assets.

	30.06.2010
	RM'000
Fair value gain recognised in profit and loss	88

8. Status of corporate proposals

There were no corporate proposals announced but not completed as at reporting date.

9. Group borrowings

Group borrowings, all denominated in Ringgit Malaysia, as at the end of the reporting period are as follows:

	30.06.2010
	RM'000
Unsecured :	
- Bills payable	58,882
- Bank overdraft	78
- Short term loan	100,743
- Long term loan	372,917
Total borrowings	532,620
Comprising :	
Amount repayable within one year	159,703
Amount repayable after one year	372,917
	532,620

Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

10. Outstanding derivatives as at 30 June 2010

Derivative type	Notional value RM '000	Fair value RM '000	Maturity
Forward foreign exchange contracts	168,677	174,007	Less than 1 year

Forward foreign exchange contracts are entered into with locally incorporated licensed banks to hedge certain portion of the Group's purchases from exchange rate movements. As the exchange rates are pre-determined under such contracts, in the event of exchange rate movement, exposure to opportunity gain/(loss) is expected. Given that the contracts are entered into with locally incorporated licensed banks, we are of the view that credit risk and the counterparty risk are minimal. Apart from a small fee payable to the banks there are no cash requirements for the forward contracts.

It is the Group policy not to enter into hedging contracts, which in the aggregate relate to volumes that exceed its expected commercial requirements for imports.

11. Changes in material litigations

(i) On 11 July 2003, two third-parties ("Plaintiffs") served a claim against the Company and its wholly-owned subsidiary, TC Euro Cars Sdn. Bhd. ("TCEC") for general damages in the sum of RM150.0 million. The Plaintiffs also claimed costs and any other relief to be awarded by the High Court for conspiracy to injure in relation to a specific project investment as alleged in the Statement of Claim. The Plaintiffs have filed an application for leave to appeal to the Federal Court on the Court of Appeal's decision. Hearing of the Plaintiff's said application for leave to appeal has been fixed on 1 September, 2010.

No provision has been made for any potential liability as the Group believes that the outcome of the case will be favourable to the Group.

(ii) Tan Chong & Sons Motor Company Sdn. Bhd. ("TCM"), a wholly-owned subsidiary of the Company, and two others were sued in the High Court at Kota Kinabalu by a third-party for general damages, special damages estimated at RM10.67 million and liquidated damages of RM2.97 million together with interest and costs in connection with car distributorship in Sabah (1st suit). On 6 August 2008, another related suit (where TCM was sued by the abovesaid same-party for RM65,065 together with interest and costs in connection with alleged monies owed to the third-party) was ordered by the High Court to be consolidated with the 1st suit. The case went on for trial from 5 to 9 July 2010 and has been fixed for continued hearing on 15 and 16, 24 and 25 November, 2010.

The solicitors representing the Group are of the view that TCM has a valid defence to the claim.

Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

12. Dividend

The Board has declared an interim dividend of 12% less tax of 25% for the year ending 31 December 2010 (2009 – 10% less tax of 25%) to be paid on 28 September 2010 to shareholders whose names appear in the Register of Members on 8 September 2010.

A depositor shall qualify for entitlement to the dividend only in respect of:

a. shares transferred into the depositor's securities account before 4:00 p.m. on 8 September 2010 in respect of transfers;
b. shares deposited into the depositor's securities account before 12:30 p.m. on 6 September 2010 in respect of shares exempted from mandatory deposit; and
c. shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

13. Earnings per share

The calculation of basic earnings per share for the periods is based on the net profit attributable to ordinary shareholders of the periods and the weighted average numbers of ordinary shares outstanding during the periods as follows:

	Individual Quarter		**Cumulative Quarter**	
Weighted average number of ordinary shares	**2010 ('000)**	**2009 ('000)**	**2010 ('000)**	**2009 ('000)**
Issued ordinary shares at beginning of the period	652,819	656,687	652,819	666,078
Effect of shares buyback during the period	-	(2,085)	-	(9,718)
Weighted average number of ordinary shares	652,819	654,602	652,819	656,360

BY ORDER OF THE BOARD
YAP BEE LEE
Company Secretary

Kuala Lumpur
18 August 2010