



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

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE QUARTER ENDED 31 MARCH 2010**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL/CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2010 RM'000	Preceding Year Corresponding Quarter 31.03.2009 RM'000
Revenue	870,367	692,894
Operating profit	93,633	51,259
Interest expense	(6,903)	(5,846)
Interest income	1,604	2,984
Share of profit of associates	579	157
Profit before taxation	88,913	48,554
Tax expense	(23,986)	(6,746)
Profit for the period	64,927	41,808
Profit attributable to:		
Equity holders of the Company	64,674	41,582
Minority interest	253	226
	64,927	41,808
Earnings per share (sen):		
(a) Basic	9.91	6.26
(b) Fully diluted	N/A	N/A

The Condensed Consolidated Income Statement 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 31 MARCH 2010**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	<b>INDIVIDUAL/CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.03.2010 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2009 RM'000</b>
<b>Profit for the period</b>	64,927	41,808
Foreign currency translation differences for foreign operations	57	(190)
Cash flow hedge	(6,069)	-
<b>Other comprehensive income for the period, net of tax</b>	(6,012)	(190)
<b>Total comprehensive income for the period</b>	58,915	41,618
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	58,662	41,392
Minority interest	253	226
<b>Total comprehensive income for the period</b>	58,915	41,618

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 31 MARCH 2010**

	(Unaudited) As at end of current quarter 31.03.2010 RM'000	As at preceding financial year end 31.12.2009 RM'000 restated
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	575,535	584,941
Investment properties	10,559	10,582
Investments in associates	18,860	18,281
Other investments	1,807	1,806
Deferred tax assets	4,881	4,881
Hire purchase receivables	385,349	259,504
Long term receivables	6,328	7,116
	1,003,319	887,111
<b><u>Current assets</u></b>		
Other investments	388,162	423,333
Hire purchase receivables	88,149	117,220
Receivables, deposits and prepayments	307,294	235,107
Current tax assets	6,601	15,047
Inventories	610,999	673,185
Asset classified as held for sale	-	2
Cash and cash equivalents	162,478	114,377
	1,563,683	1,578,271
<b>TOTAL ASSETS</b>	2,567,002	2,465,382



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2010 (continued)**

	(Unaudited) As at end of current quarter 31.03.2010 RM'000	As at preceding financial year end 31.12.2009 RM'000 restated
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	336,000	336,000
Reserves	1,261,286	1,202,549
Treasury shares	(24,777)	(24,777)
<b>Total equity attributable to equity holders of the Company</b>	1,572,509	1,513,772
<b>Minority interest</b>	4,659	4,406
<b>Total equity</b>	1,577,168	1,518,178
<b><u>Non-current liabilities</u></b>		
Deferred tax liabilities	12,299	8,669
Borrowings	251,972	260,590
Employee benefits	23,078	22,286
	287,349	291,545
<b><u>Current liabilities</u></b>		
Payables and accruals	230,118	267,289
Borrowings	459,046	387,643
Taxation	7,327	725
Derivative liabilities	5,994	-
Liability classified as held for sale	-	2
	702,485	655,659
<b>Total liabilities</b>	989,834	947,204
<b>TOTAL EQUITY AND LIABILITIES</b>	2,567,002	2,465,382
Net assets per share attributable to equity holders of the Company (RM)	2.41	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 31 MARCH 2010  
(THE FIGURES HAVE NOT BEEN AUDITED)**

	----- Attributable to Equity Holders of the Company -----						Minority Interest	Total Equity	
	----Non-Distributable----					Distributable reserves			Total
	Share capital	Treasury shares	Other reserves	Hedging reserves	Reserves				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 01.01.2009</b>	336,000	(13,024)	31	-	1,098,454	1,421,461	3,557	1,425,018	
Purchase of treasury shares	-	(5,743)	-	-	-	(5,743)	-	(5,743)	
Total comprehensive income for the period	-	-	(190)	-	41,582	41,392	226	41,618	
<b>At 31.03.2009</b>	336,000	(18,767)	(159)	-	1,140,036	1,457,110	3,783	1,460,893	
<b>At 01.01.2010</b>	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	
<b>At 01.01.2010, as restated</b>	336,000	(24,777)	(177)	75	1,202,726	1,513,847	4,406	1,518,253	
Total comprehensive income for the period	-	-	57	(6,069)	64,674	58,662	253	58,915	
<b>At 31.03.2010</b>	336,000	(24,777)	(120)	(5,994)	1,267,400	1,572,509	4,659	1,577,168	

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 31 MARCH 2010**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	<b>INDIVIDUAL/CUMULATIVE QUARTER</b>	
	<b>For the 3 months ended 31.03.2010 RM'000</b>	<b>For the 3 months ended 31.03.2009 RM'000</b>
Profit before tax	88,913	48,554
<b>Adjustments for:</b>		
Non-cash items	8,017	9,308
Non-operating items (which are investing/financing)	5,084	2,862
<b>Operating profit before working capital changes</b>	102,014	60,724
<b>(Increase)/decrease in working capital</b>	(143,156)	131,637
<b>Other cash used (tax payment etc.) in operations</b>	(10,704)	(14,484)
<b>Net cash (used in)/ generated from operating activities</b>	(51,846)	177,877
<b>Net cash generated from investing activities</b>	37,162	3,079
<b>Net cash generated from /(used in) financing activities</b>	62,777	(154,749)
<b>Net increase in cash and cash equivalents</b>	48,093	26,207
<b>Cash and cash equivalents at beginning of the year</b>	114,019	76,174
<b>Cash and cash equivalents at end of the period</b>	162,112	102,381

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 FRS, 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:

	<b>31.12.2009</b>	
	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
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 31 March 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 RM'000	2009 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	<u>75</u>	<u>-</u>

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

Under the Group's Asset-Backed Medium Term Notes ("MTN") Program, the Group has redeemed RM14,000,000 nominal value of Class A MTN during the quarter under review. The outstanding nominal value of MTN comprising Class A, Class B and Class C is RM134,000,000 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**

No dividends were paid during the quarter ended 31 March 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 three months ended 31 March 2010

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	857,655	687,757	12,707	5,117	5	20	870,367	692,894
Inter-segment revenue	-	-	5,313	214	4,489	4,489	9,802	4,703
Segment EBITDA*	97,526	63,318	5,931	1,625	1,884	4,903	105,341	69,846
Segment assets	2,410,595	2,197,339	311,153	82,600	109,657	138,119	2,831,405	2,418,058

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

Reconciliation of reportable segment profit or loss:

	31.03.2010 RM'000	31.03.2009 RM'000
Total profit for reportable segments	105,341	69,846
Depreciation and amortisation	(12,774)	(14,104)
Finance costs	(6,903)	(5,846)
Interest income	1,604	2,984
Elimination of inter-segment profits	(1,801)	(4,311)
Share of profit of associates not included in reportable segments	579	157
Unallocated amounts:		
Other corporate expenses	(1,918)	(3,144)
Others	4,785	2,972
Consolidated profit before tax	88,913	48,554

**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.

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

**12. Changes in composition of the Group**

The Company has incorporated a wholly-owned subsidiary named Tan Chong Motorcycles (Labuan) Pte Ltd (“TCML”) under the Labuan Companies Act, 1990 on 19 March 2010 to cater for the Group’s business expansion needs.

TCML is an investment holding company with a paid-capital of USD1/-.

**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.

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

	<b>31.03.2010</b>	<b>31.12.2009</b>
	<b>RM’000</b>	<b>RM’000</b>
Property, plant and equipment		
Authorised and contracted for		
In Malaysia	20,453	16,051
Outside Malaysia	6,139	6,262
Authorised but not contracted for	192,286	204,760
	<u>218,878</u>	<u>227,073</u>

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

**1. Review of performance**

Tan Chong Group has made a volume led recovery in 2010. Revenue in Q1 2010 grew 25.6% over the same period of last year. Our core NISSAN models gained market share in the rising tide. Top-line growth was achieved notwithstanding tight control over cost increases through careful budgeting, detailed analysis and constant surveillance. This produced a strong bottom-line of 9.91sen EPS on the back of RM64.7 million net profit and RM88.9 million profit before tax.

**2. Comparison with preceding quarter's results**

During the quarter, revenue, pretax profit and earnings built upon the recovery in Q4 2009 increased by 20.9%, 108.2% and 51.4% respectively. Foreign exchange gains from a stronger Ringgit were minimal in this quarter. There was however, a RM6 million marked to market paper loss on forward contracts for hedging purposes under FRS 139.

Quarterly operating cash inflow has returned above the RM102 million-mark last seen in 2008. Net gearing has risen to 10.2% from 7.3% of shareholders' equity in Q4 2009 on the back of higher working capital to support more sales.

**3. Current year prospects**

2010 trends appear similar to 2008. Our business is experiencing the ebb and flow of the market recovery. We are still working our way off the bottom last year. We have seen a fairly strong first quarter. There are some uncertainties about the potential sovereign debt contagion in Europe and the current unrest in Thailand. But the fourth quarter of last year and first quarter of this year had seen a pronounced increase in demand and improvement in consumer sentiment. So far we see that continuing. The first two months of the second quarter has been along those trends.

The Group is on track to normalising its inventory imbalances in April-May 2010. With effect from June 2010, Serendah plant would go into 2 shifts from under 2,000 units per month last year to 3,000 units per month by October 2010. Capital spending as a percentage of sales is expected to rise to 6.3% this fiscal year from austerity last year as the Group reinvests, expands in Indochina, and build up capacity albeit very carefully.

**4. Comparison with profit forecast**

This is not applicable to the Group.

**5. Taxation**

**INDIVIDUAL/CUMULATIVE QUARTER**

	<b>31.03.2010</b>	<b>31.03.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Current year	20,319	10,760
Prior year	37	(116)
Deferred tax	3,630	(3,898)
	<u>23,986</u>	<u>6,746</u>

**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 during the quarter.

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 31 March 2010.

**7. Quoted securities**

There were no purchases or disposals of quoted securities for the current financial quarter ended 31 March 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.

	<b>31.03.2010</b>
	<b>RM'000</b>
Fair value gain recognised in profit and loss	<u>26</u>

**8. Status of corporate proposals**

- (i) The Company has entered into a Sales and Purchase Agreement with Warisan TC Holdings Berhad ("WTCH") on 1 October 2009 for the disposal of its 70% equity interest in Kereta Komersil Seladang (M) Sdn. Bhd. comprising 10,500 ordinary shares of RM1.00 each for a cash consideration of RM700,000 ("Disposal") to WTCH.

The Disposal was completed on 5 January 2010.

- (ii) On 3 May 2010, Premium Commerce Bhd. ("PCB"), a special purpose vehicle ("SPV") established for the securitisation of the Group's hire purchase receivables, completed a third issuance of RM224 million nominal value Asset-Backed Medium Term Notes.

The SPV's books have been consolidated into TCMH Group, in line with IC Interpretation 112 Consolidation – Special Purpose Entities. The portion of hire purchase receivables sold to "third Parties" amounting to RM209.0 million (net of unearned interest), have been de-recognised on consolidation. The net impact to the consolidated Income Statement is RM0.5 million.

The securitisation transaction has enabled the Group to monetise its hire purchase receivables and will put it in strong cash position to undertake further value enhancing transactions in the future.



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

**9. Group borrowings**

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

	<b>31.3.2010</b>
	<b>RM'000</b>
Unsecured :	
- Bills payable	217,374
- Bank overdraft	366
- Short term loan	241,306
- Long term loan	251,972
Total borrowings	<u>711,018</u>
Comprising :	
Amount repayable within one year	459,046
Amount repayable after one year	251,972
	<u>711,018</u>

**10. Outstanding derivatives as at 31 March 2010**

Derivative type	Notional value RM '000	Fair value RM '000	Maturity
Forward foreign exchange contracts	274,650	268,656	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.

**Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad****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. On 16 January 2004, the Senior Assistant Registrar of the High Court struck out the above mentioned suit. On 20 May 2004, on appeal by the Plaintiffs, the High Court Judge reinstated the Plaintiffs’ suit. The Company and TCEC, being dissatisfied with the decision of the High Court Judge, then filed a Notice of Appeal to the Court of Appeal, appealing against the said decision of the High Court Judge. On 21 October 2008, both appeals by the Company and TCEC to the Court of Appeal were allowed with costs in the Court of Appeal and the High Court below to be paid by the third parties. The Plaintiffs have filed an application for leave to appeal to the Federal Court. Hearing of the Plaintiff’s said application for leave to appeal has been fixed on 18 May 2010 but the date has since been vacated by the Federal Court. A new hearing date will be fixed by the Federal Court.

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 (1<sup>st</sup> 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 1<sup>st</sup> suit. Trial dates have been fixed by the High Court on 5 to 9 July 2010.

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

**12. Dividend**

The Board has recommended a final dividend of 12% less tax of 25% for the year ended 31 December 2009 (2008 – 10% less 25% income tax). The proposed final dividend has been approved by the shareholders at the Annual General Meeting held on 19 May 2010 and is payable on 18 June 2010. The entitlement date is 27 May 2010.

**Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements 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:

	<b>INDIVIDUAL/CUMULATIVE QUARTER</b>	
<b>Weighted average number of ordinary shares</b>	<b>2010</b>	<b>2009</b>
	<b>(‘000)</b>	<b>(‘000)</b>
Issued ordinary shares at beginning of the period	652,819	666,078
Effect of shares buyback during the period	-	(1,352)
Weighted average number of ordinary shares	<u>652,819</u>	<u>664,726</u>

**BY ORDER OF THE BOARD**

**YAP BEE LEE**

Company Secretary

Kuala Lumpur

26 May 2010