TAN CHONG MOTOR HOLDINGS BERHAD *(12969-P)*

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONTENTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.06.2013 RM'000	(Restated) Preceding Year Corresponding Quarter 30.06.2012 RM'000	(Unaudited) Current Year To Date 30.06.2013 RM'000	(Restated) Preceding Year Corresponding Period 30.06.2012 RM'000
Revenue	1,140,642	985,841	2,576,981	1,968,909
Operating profit	97,723	63,988	225,191	115,554
Interest expense	(11,723)	(7,426)	(22,756)	(16,803)
Interest income	4,761	2,955	9,438	6,312
Share of profit of equity-accounted investees	1,048	884	2,875	1,269
Profit before taxation	91,809	60,401	214,748	106,332
Tax expense	(24,613)	(17,727)	(63,388)	(32,218)
Profit for the period	67,196	42,674	151,360	74,114
Attributable to:				
Equity holders of the Company	67,353	43,215	151,448	74,818
Non-controlling interests	(157)	(541)	(88)	(704)
	67,196	42,674	151,360	74,114
Earning per share (sen)				
(a) Basic	10.32	6.62	23.20	11.46
(b) Fully diluted	N/A	N/A	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 2012.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.06.2013 RM'000	(Restated) Preceding Year Corresponding Quarter 30.06.2012 RM'000	(Unaudited) Current Year To Date 30.06.2013 RM'000	(Restated) Preceding Year Corresponding Period 30.06.2012 RM'000
Profit for the period	67,196	42,674	151,360	74,114
Item that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains	58	67	116	134
Total item that will not be classified to profit or loss	58	67	116	134
Item that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	351	1,039	792	(100)
Net change in fair value of cash flow hedges reclassified to profit or loss	(493)	(969)	1,256	1,460
Total items that are or may be classified subsequently to profit or loss	(142)	70	2,048	1,360
Other comprehensive income for the period, net of tax	(84)	137	2,164	1,494
Total comprehensive income for the period	67,112	42,811	153,524	75,608
Total comprehensive income attributable to:				
Equity holders of the Company	67,493	43,317	153,628	76,295
Non-controlling interests	(381)	(506)	(104)	(687)
	67,112	42,811	153,524	75,608

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	(Unaudited) As at 30.06.2013 RM'000	(Restated) As at 31.12.2012 RM'000	(Restated) As at 01.01.2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	894,355	858,684	676,395
Investment properties	21,565	20,303	17,558
Prepaid lease payments	21,524	16,535	11,357
Equity-accounted investees	33,284	30,409	22,579
Other investments	1	1	1,807
Deferred tax assets	26,511	24,339	14,520
Hire purchase receivables	366,435	251,153	386,788
Intangible assets	13,944	13,944	14,448
Long term receivables	3,578	2,378	1,440
	1,381,197	1,217,746	1,146,892
Current assets			
Other investments	275,374	200,603	194,064
Hire purchase receivables	110,871	52,583	107,038
Receivables, deposits and prepayments	537,097	407,278	296,889
Current tax assets	5,270	7,700	7,642
Inventories	1,276,660	1,412,431	960,238
Derivative assets	271	266	463
Cash and cash equivalents	414,403	635,876	325,272
	2,619,946	2,716,737	1,891,606
TOTAL ASSETS	4,001,143	3,934,483	3,038,498

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013 (continued)

	(Unaudited) As at 30.06.2013 RM'000	(Restated) As at 31.12.2012 RM'000	(Restated) As at 01.01.2012 RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	336,000	336,000	336,000
Reserves	1,750,139	1,625,888	1,529,560
Treasury shares	(24,802)	(24,795)	(24,786)
Total equity attributable to equity holders of the Company	2,061,337	1,937,093	1,840,774
Non-controlling interests	2,534	2,638	5,315
Total equity	2,063,871	1,939,731	1,846,089
Non-current liabilities			
Deferred tax liabilities	15,796	23,641	20,075
Borrowings	365,265	346,413	280,000
Employee benefits	43,213	40,830	36,272
	424,274	410,884	336,347
Current liabilities			
Payables and accruals	527,843	502,651	330,787
Borrowings	942,480	1,071,209	520,026
Derivative liabilities	-	1,251	-
Taxation	42,675	8,757	5,249
	1,512,998	1,583,868	856,062
Total liabilities	1,937,272	1,994,752	1,192,409
TOTAL EQUITY AND LIABILITIES	4,001,143	3,934,483	3,038,498
Net assets per share attributable to equity holders of the Company (RM)	3.16	2.97	2.82

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

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 2013

	Attributable to Equity Holders of the Company								
	Non-Distributable				Distributable				
	Share capital RM'000	Treasury shares RM'000	Translation reserves RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
(Restated)									
At 01.01.2012	336,000	(24,786)	(1,305)	463	100	1,530,302	1,840,774	5,315	1,846,089
Other comprehensive income for the period, net of tax	-	-	(117)	1,460	-	134	1,477	17	1,494
Profit for the period	-	-	-	-	-	74,818	74,818	(704)	74,114
Total comprehensive income for the period	-	-	(117)	1,460	-	74,952	76,295	(687)	75,608
Purchase of treasury shares	-	(5)	-	-	-	-	(5)	-	(5)
Dividend - 2011 Final	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
At 30.06.2012	336,000	(24,791)	(1,422)	1,923	100	1,575,877	1,887,687	4,628	1,892,315
(Restated)									
At 01.01.2013	336,000	(24,795)	(2,727)	(985)	100	1,629,500	1,937,093	2,638	1,939,731
Other comprehensive income for the period, net of tax	-	-	808	1,256	-	116	2,180	(16)	2,164
Profit for the period	-	-	-	-	-	151,448	151,448	(88)	151,360
Total comprehensive income for the period	-	-	808	1,256	-	151,564	153,628	(104)	153,524
Purchase of treasury shares	-	(7)	-	-	-	-	(7)	-	(7)
Dividend - 2012 Final	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
At 30.06.2013	336,000	(24,802)	(1,919)	271	100	1,751,687	2,061,337	2,534	2,063,871

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2013

	CUMULATIVE QUARTER	
	(Unaudited) For the 6 months ended 30.06.2013 RM'000	**(Restated) For the 6 months ended 30.06.2012 RM'000**
Cash flows from operating activities		
Profit before taxation	214,748	106,332
Adjustments for:		
Non-cash and non-operating items	51,529	38,877
Operating profit before working capital changes	266,277	145,209
Changes in working capital		
Inventories	135,807	(91,609)
Hire purchase receivables	(175,099)	(109,705)
Receivables, deposits and prepayments	(130,990)	(153,548)
Payables and accruals	25,028	119,087
Cash generated from/(used in) operations	121,023	(90,566)
Tax paid	(36,833)	(25,785)
Interest paid	(13,318)	(10,375)
Employee benefits paid	(593)	(366)
Net cash generated from/(used in) operating activities	70,279	(127,092)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(77,977)	(74,122)
Acquisition of prepaid lease payments	(4,923)	(4,326)
Acquisition of other investments	(74,853)	(2,795)
Additional invesment in equity-accounted investee	-	(1,548)
Proceeds from disposal of property, plant and equipment	8,047	29,480
Net cash used in investing activities	(149,706)	(53,311)

TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2013 (continued)

	CUMULATIVE QUARTER	
	(Unaudited) For the 6 months ended 30.06.2013 RM'000	**(Restated) For the 6 months ended 30.06.2012 RM'000**
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(29,377)	(29,377)
Purchase of own shares	(7)	(5)
(Repayment of)/Proceeds from bills payable (net)	(78,625)	146,650
(Repayment of)/Proceeds from term loans and revolving credit (net)	(34,827)	111,457
Net cash (used in)/generated from financing activities	(142,836)	228,725
Net (decrease)/increase in cash and cash equivalents	(222,263)	48,322
Effects of exchange rate fluctuations on cash and cash equivalents	790	-
Cash and cash equivalents at beginning of the period	635,876	324,678
Cash and cash equivalents at end of the period	414,403	373,000
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	209,044	163,665
Deposits with licensed banks	205,359	209,335
	414,403	373,000

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134 *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Tan Chong Motor Holdings Berhad and its subsidiaries ("the Group") as at and for the year ended 31 December 2012.

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 2012, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs and IC Interpretations:

- Amendments to MFRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*
- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

The adoption of the above pronouncements did not have any impact on the financial statements of the Group, except for the following:

(i) Amendments to MFRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

The amendments to MFRS 101 requires separation of items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in future. Items that will not be recycled – such as defined benefit plan actuarial gain/loss – will be presented separately from items that may be recycled in future – such as deferred gain/loss on cash flow hedges and foreign currency translation differences (foreign operations).

The adoption of this amendment affects presentation only and has no material financial impact on the Group's financial statements.

A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

2. Changes In Accounting Policies (continued)

(ii) MFRS 10, *Consolidated Financial Statements*

As a result of the adoption of MFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. MFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Group controls the investee on the basis of *de facto* circumstances.

In accordance with the transitional provisions of MFRS 10, the Group re-assessed the control conclusion for its investees at 1 January 2013. As a consequence, the Group has changed its control conclusion in respect of its investment in TC Express Auto Services and Spare Parts (Thailand) Company Ltd. ("TCEAS Thailand"). Although the Group owns less than half of the shareholdings of TCEAS Thailand, the directors have determined that it has acquired *de facto* control over the investee when it subscribed for the investment on 3 April 2007, because the Group has held significantly more power over TCEAS Thailand than any other equity holders and the other shareholdings are widely dispersed. Accordingly, the Group applied acquisition accounting to the investment at 3 April 2007, as if the investee had been consolidated from that date. Previously, the investment in TCEAS Thailand was accounted for as an associate using the equity method.

(iii) MFRS 11, *Joint Arrangements*

As a result of the adoption of MFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under MFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making the assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

The Group has re-evaluated its involvement in its only joint arrangement in Structurflex Sdn. Bhd. and has reclassified the investment from associate to joint venture. Notwithstanding the reclassification, the investment continues to be recognised by applying equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

(iv) MFRS 119, *Employee Benefits (2011)*

The Group has adopted MFRS 119, *Employee Benefits (2011)* and applied this standard retrospectively during the current period.

As a result of this standard adoption, actuarial gains and losses are renamed 'remeasurements' and are recognised immediately in 'other comprehensive income' ("OCI"). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in OCI will not be recycled through profit or loss in subsequent periods.

There is no material impact from adoption of the revised standard.

A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

2. Changes In Accounting Policies (continued)

The impact arising from the change of accounting policies is summarized as below:

(a) Condensed consolidated statement of financial position

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Effect of adoption of MFRS 11 RM'000	Effect of adoption of MFRS 119 (2011) RM'000	Restated RM'000
As at 1 January 2012					
Property, plant and equipment	675,779	616			676,395
Equity-accounted investees	19,791	2,788	-		22,579
Receivables, deposits and prepayments	299,584	(2,695)			296,889
Inventories	959,996	242			960,238
Cash and cash equivalents	324,634	638			325,272
Reserves	1,529,650	(90)			1,529,560
Non-controlling interests	8,310	(2,995)			5,315
Employee benefits	36,272	-		-	36,272
Payables and accruals	326,113	4,674			330,787
As at 31 December 2012					
Property, plant and equipment	858,396	288			858,684
Equity-accounted investees	27,128	3,281	-		30,409
Receivables, deposits and prepayments	416,009	(8,731)			407,278
Inventories	1,412,208	223			1,412,431
Cash and cash equivalents	634,426	1,450			635,876
Reserves	1,625,971	(83)			1,625,888
Non-controlling interests	6,140	(3,502)			2,638
Employee benefits	40,830	-		-	40,830
Payables and accruals	502,555	96			502,651

(b) Condensed consolidated income statement

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Effect of adoption of MFRS 11 RM'000	Effect of adoption of MFRS 119 (2011) RM'000	Restated RM'000
Period ended 30 June 2012					
Revenue	1,967,963	946			1,968,909
Operating profit	116,172	(484)		(134)	115,554
Interest expense	(16,571)	(232)			(16,803)
Share of profit of equity-accounted investees	918	351	-		1,269
Profit before taxation	106,831	(365)		(134)	106,332
Profit for the period	74,613	(365)		(134)	74,114
Profit for the period attributable to:					
Equity holders of the Company	74,952			(134)	74,818
Non-controlling interests	(339)	(365)			(704)

A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

2. Changes In Accounting Policies (continued)

(c) Condensed consolidated statement of comprehensive income

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Effect of adoption of MFRS 11 RM'000	Effect of adoption of MFRS 119 (2011) RM'000	Restated RM'000
Period ended 30 June 2012					
Defined benefit plan actuarial gains	-			(134)	(134)
Foreign currency translation differences for foreign operations	(135)	35			(100)
Total comprehensive income for the period	75,938	(330)			75,608
Total comprehensive income attributable to:					
Equity holders of the Company	76,277	18			76,295
Non-controlling interests	(339)	(348)			(687)

(d) Condensed consolidated statement of changes in equity

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Effect of adoption of MFRS 11 RM'000	Effect of adoption of MFRS 119 (2011) RM'000	Restated RM'000
Period ended 1 January 2012					
Translation reserves	(1,215)	(90)			(1,305)
Non-controlling interests	8,310	(2,995)			5,315
Period ended 31 December 2012					
Translation reserves	(2,644)	(83)			(2,727)
Non-controlling interests	6,140	(3,502)			2,638

(e) Condensed consolidated statement of cash flows

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Effect of adoption of MFRS 11 RM'000	Effect of adoption of MFRS 119 (2011) RM'000	Restated RM'000
Period ended 30 June 2012					
Profit before taxation	106,831	(365)		(134)	106,332
Non-cash and non-operating items	38,812	(69)		134	38,877
Changes in working capital:					
Inventories	(91,569)	(40)			(91,609)
Receivables, deposits and prepayments	(153,755)	207			(153,548)
Payables and accruals	119,042	45			119,087
Interest paid (net)	(10,259)	(116)			(10,375)

A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

2. Changes In Accounting Policies (continued)

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted by the Group:-

Effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2012.

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 of amounts reported in prior financial year.

7. Debt and Equity Securities

During the quarter under review, the Company repurchased 1,000 units of its issued ordinary shares from the open market at an average price of RM6.91. Total consideration paid for the repurchase including transaction cost was RM6,961 and this was financed by internally generated funds. Cumulative total number of shares repurchased at the end of the quarter was 19,186,000. The shares repurchased 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") Programme, the Group has redeemed RM77 million nominal value of Class A MTN during the quarter. The outstanding nominal value of MTN comprising Class A, Class B and Class C is RM631.75 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.

A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

8. Dividend Paid

A final dividend of 12% less tax of 25% for the year ended 31 December 2012 (2011: 12% less tax of 25%) amounting to RM29.38 million (2011: RM29.38 million) was paid on 21 June 2013.

9. Segmental Reporting

For the financial period ended 30 June 2013:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
		(Restated)						(Restated)
	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,555,210	1,946,848	18,289	19,885	3,482	2,176	2,576,981	1,968,909
Inter-segment revenue	7,304	1,127	1,217	1,943	26,308	25,641	34,829	28,711
Segment EBITDA*	261,864	144,298	8,617	9,078	(665)	5,660	269,816	159,036

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

Reconciliation of reportable segment profit or loss:

		(Restated)
	30.06.2013	30.06.2012
	RM'000	RM'000
Total EBITDA for reportable segments	269,816	159,036
Depreciation and amortisation	(38,086)	(35,217)
Interest expense	(22,756)	(16,803)
Interest income	9,438	6,312
Share of profit of equity-accounted investees not included in reportable segments	2,875	1,269
Unallocated corporate expenses	(6,539)	(8,265)
Consolidated profit before taxation	214,748	106,332

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 2012.

11. Material Subsequent Event

On 29 July 2013, ETCM (MM) Pte. Ltd. ("ETCM (MM)"), a wholly-owned subsidiary of Tan Chong Motor Holdings Berhad, has entered into a Distribution Agreement with Nissan Motor Co., Ltd. ("NML") in respect of sole and exclusive right granted by NML to ETCM (MM) to distribute Nissan brand completely built-up vehicles in Myanmar.

A) **Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting**

11. Material Subsequent Event (continued)

Distribution of the vehicles in Myanmar by the Group is expected to commence in the third quarter of 2013. The new business venture is not expected to contribute significantly to the Group's revenue and profit for the financial year ending 31 December 2013 but is expected to contribute positively to the earnings of the Group in the long term.

12. Changes in Composition of the Group

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

Two new subsidiaries (holding 100% less 1 share), namely ETCM (Myanmar) Company Limited and TC Express Auto Services & Spare Parts (Myanmar) Company Limited were incorporated by the Group under Myanmar Companies Act on 22 March 2013. The permanent Certificates of Incorporation for these companies were issued by the Ministry of National Planning and Economic Development of Myanmar on 9 July 2013 and 23 July 2013.

13. Changes in Contingent Liabilities or Contingent Assets

In previous financial year 2012, the General Department of Vietnam Customs ("the Vietnam Customs") has opined that a subsidiary in Vietnam is not entitled to the preferential import tax rate for the importation of completely knock-down ("CKD") parts during the period from 2009 to 2011. It was on the basis that the subsidiary company was viewed not to meet one of the conditions stipulated under the prevailing regulations to enjoy the preferential import duty rates for automotive parts and components whereby the CKD parts must be imported/entrusted to be imported by a qualified automobile manufacturer/assembler as stipulated by the Ministry of Industry and Trade ("MOIT").

The subsidiary company is appealing for its importation of CKD parts for reselling at cost to Hoa Binh Automobile Joint Venture Company ("VMC"), a qualified automobile manufacturer/assembler, in the period from 2009 and 2011 to be treated similar to the importation under entrustment (the qualified importation) and that the import duty liabilities in respect of CKD parts would remain the same had VMC imported the CKD parts itself.

The subsidiary company is currently appealing to the relevant authorities. As of date of this announcement, no liability has been recognised in the financial statements pending the outcome of the appeal.

There were no material changes in contingent liabilities or contingent assets since the last annual financial period.

14. Capital Commitments Outstanding Not Provided For In the Interim Financial Report

	30.06.2013 RM'000	**30.06.2012 RM'000**
Property, plant and equipment		
Authorised but not contracted for	298,594	175,667
Authorised and contracted for		
In Malaysia	47,934	34,580
Outside Malaysia	22,172	33,075
Overseas operation commitments		
Authorised and contracted for	81,966	34,942
	450,666	278,264

A) **Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting**

15. Significant Related Party Transactions

(a) Significant transactions with Warisan TC Holdings Berhad (WTCH), APM Automotive Holdings Berhad (APM) and Tan Chong International Limited (TCIL) Groups, companies in which a Director of the Company, namely Dato' Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Sales	5,790	9,429	9,626	17,996
With APM Group				
Purchases	33,447	32,936	70,201	56,821
With TCIL Group				
Contract assembly fee receivable	13,629	-	22,889	-

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	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Purchases	480,732	398,513	964,435	829,307

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

(c) Significant transactions with Auto Dunia Sdn. Bhd., a company connected to a Director of the Company, namely Dato' Tan Heng Chew by virtue of Section 122A of the Companies Act, 1965, is as follows:

	Individual Quarter		Individual/Cumulative Quarter	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Purchases	6,823	14,964	10,533	22,038

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

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

1. Analysis Of Performance Of All Operating Segments

During the first half, the Group reported 31% revenue growth to RM2.6 billion on the back of strong vehicle sales from the all-new Nissan Almera. Correspondingly, net profit doubled by 104% to RM151.4 million compared to RM74.1 million a year ago in line with the company's guidance of a softer Q2 after a very strong Q1 performance. In Malaysia, Nissan has retained its No. 2 position in the non-national car segment taking 8.2% of the total industry volume of 313,488 units for the first half of 2013.

On 27 June 2013, the Group launched the all-new Nissan Sunny at its newly completed Assembly Plant in Danang City, Vietnam. Being a newly-commissioned facility, it has yet to achieve the optimum production capacity and there is no profit contribution from the plant for now. Nissan Vietnam Co. Ltd (NVL) has shown encouraging growth in sales and distribution. Revenue improved by 88% compared to the same period last year. However, due to the soft recovery in Vietnam, it has yet to deliver any profit contribution.

a) Vehicle Assembly, Manufacturing, Distribution & After Sales Service (automotive)

Automotive division enjoyed a new level of scale in 2013. Volume driven, revenue of RM2.6 billion for the first half of 2013, compared to RM1.9 billion for previous year same period. Segmental EBITDA surged to RM262 million, an increase of 81.5% compared to RM144 million for previous year same period. The growth in both top and bottom-line is in tandem with higher vehicle sales and positive operating leverage from the investments in human capital and infrastructure earlier. In the corresponding period last year, stock constraints coupled with tighter credit requirements by Bank Negara Malaysia resulted in lower revenue and EBITDA.

b) Financial Services (hire purchase and insurance)

The sale of RM388 million of hire purchase receivables under the Asset-Backed Securitisation (ABS) programme in the fourth quarter of 2012 has helped the group de-risk but weighed on the financial services performance. Revenue is lower by 8% to RM18.3 million compared to previous year same period of RM19.9 million. Likewise, EBITDA has decreased by 5.1% to RM8.6 million. As at 30 June 2013, hire purchase receivables stood at RM477 million, a decrease of RM127 million compared to last year same period of RM604 million. The full ramp up of the loans book on higher long term yields take time to slowly and carefully build up in order to mitigate the risk of non-performing loans.

c) Other Operations (investments and properties)

Revenue from other operations for the two quarters of 2013 was at RM3.5 million compared to RM2.2 million in the previous year same period. EBITDA was a loss of RM0.7 million compared to profit of RM5.7 million in the previous year same period. The reduction in EBITDA was mainly due to gain of RM2.84 million that arose from the re-measurement to fair value of the Group’s pre-existing 15% interest in THK Rhythm Malaysia Sdn. Bhd. recorded in the same period a year ago.

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

2. Comparison With Preceding Quarter's Results

Comparing to preceding quarter of 2013, both our top line and bottom line (Profit After Taxation) decrease by 20.6% and 20.2% respectively whilst EBITDA reduced by 19%.

a) Vehicle Assembly, Manufacturing, Distribution & After Sales Service (automotive)

Market conditions were challenging in the second quarter due to record invoicing in Q1 and cancellation of bookings as consumers waited until after the 13th General Election held on 5 May 2013. The automotive division lost some momentum with a 21% decrease in revenue to RM1.1 billion compared to RM1.4 billion for preceding quarter. Segmental EBITDA decreased by 19% to RM117.3 million respectively compared to the preceding quarter.

b) Financial Services (hire purchase and insurance)

The financial services division maintained revenue of RM9.1 million for the Q2 2013, i.e. same as preceding quarter. EBITDA for Q2 2013 was at RM4.0 million compared to preceding quarter of RM4.6 million. This is mainly due to sales mix of passenger vehicles.

c) Other Operations (investments and properties)

Revenue from other operations for Q2 2013 was at RM2.6 million compared to RM0.9 million in the preceding quarter and EBITDA for Q2 2013 was a loss of RM0.5 million compared to loss of RM0.1 million in the preceding quarter. The increase in the loss for Q2 2013 is mainly due to increase in manpower related costs as the Group expanded its business in ASEAN countries.

3. Current Year Prospects

We anticipate robust contributions from our new product launches in the second half and beyond. Despite a softer market as consumers delay purchases in anticipation of car price reductions, the Group is on track to deliver high quality, energy efficient and affordable products and services to the "Rakyat" and the masses in ASEAN. The launch of the all-new Nissan Serena S-Hybrid on 23 July 2013 was well received and the first batch has already sold out. Customer waiting lists have returned. The volatility in the Japanese Yen and the US Dollar against Ringgit Malaysia is of some concern. FOREX trends were favorable until May 2013. To mitigate against currency fluctuations, the group has stockpiled inventory of RM1.3 billion. Generally, the weak Yen has helped Japanese exporters and their overseas market penetration.

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

4. Comparison With Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2013	**30.06.2012**	**30.06.2013**	**30.06.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current year	34,166	20,242	75,668	39,480
Prior year	(4,935)	(1,612)	(2,488)	(2,777)
Deferred tax	(4,618)	(903)	(9,792)	(4,485)
	24,613	17,727	63,388	32,218

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory rate of 25% due to certain expenses disallowed for tax purposes and absence of full group relief.

6. Status of Corporate Proposals

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

7. Group Borrowings

Group borrowings as at the end of the reporting period are as follows:

	30.06.2013
	RM'000
Unsecured :	
- Bills payable	223,076
- Revolving credit	598,120
- Short term loan	121,284
- Long term loan	365,265
Total borrowings	1,307,745
Comprising :	
Amount repayable within one year	942,480
Amount repayable after one year	365,265
	1,307,745

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

8. Financial Instruments and Realised And Unrealised Profits

a) Derivatives

As at 30 June 2013, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets/(Liabilities) RM'000	Maturity
Forward foreign exchange contracts	2,739	271	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 predetermined 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.

b) Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	(Unaudited) 30.06.2013 RM'000	(Restated) 31.12.2012 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	1,925,879	1,814,455
- Unrealised loss	(8,098)	(26,330)
	1,917,781	1,788,125
Total share of retained profits from equity-accounted investees:		
- Realised profit	13,169	10,253
- Unrealised profit	27	68
	13,196	10,321
Total Group retained profits before consolidation adjustment	1,930,977	1,798,446
Less: Consolidation adjustment	(179,290)	(168,946)
	1,751,687	1,629,500

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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

9. Changes In Material Litigation

Tan Chong & Sons Motor Company Sdn. Bhd. ("TCM"), Nissan Motor Co. Ltd. ("Nissan") and Auto Dunia Sdn. Bhd. were sued in the High Court at Kota Kinabalu by Teck Guan Trading (Sabah) Sdn. Bhd. ("Teck Guan") for general damages, special damages of RM10.67 million and liquidated damages of RM2.97 million together with interest and costs in connection with car dealership in Sabah ("1st Suit").

All parties have closed their case during the last hearing date on 9 and 10 February 2011. On 5 May 2011, the High Court at Kota Kinabalu dismissed Teck Guan's suit in favour of the 3 Defendants, i.e. TCM, Nissan and Auto Dunia Sdn. Bhd. Teck Guan is liable for cost. The Plaintiff has since filed an appeal to the Court of Appeal against the decision of High Court and the Court of Appeal has adjourned the case to be heard on 14 May 2013. The Court of Appeal has dismissed Teck Guan’s appeal in favour for the 3 Defendants. On 10 June 2013, Teck Guan has filed a Notice of Motion at the Federal Court for leave application to appeal against the decision of the Court of Appeal. We are currently pending the Court to fix the date for the case management.

In 1987, another related suit was filed in the same court (where TCM was sued by Teck Guan for RM65,065 together with interest and costs in connection with alleged monies owed to Teck Guan. Following the same, TCM had filed a counter-claim for RM132,175 together with interest and costs in connection with the outstanding amount payable to TCM) ("2nd Suit"). The Court has allowed the case to be transferred to Sessions Court and has fixed the trial dates on 19 and 20 September 2013.

10. Dividend

The Board has declared an interim dividend of 12% less tax of 25% (2012: 12% less tax of 25%) and special dividend of 18% less tax of 25% (2012: Nil) for the year ending 31 December 2013 to be paid on 30 September 2013 to shareholders whose names appear in the Register of Members on 13 September 2013.

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 13 September 2013 in respect of transfer;
b. shares deposited into the depositor’s securities account before 12.30 p.m. on 11 September 2013 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.

11. 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	**2013 ('000)**	**2012 ('000)**	**2013 ('000)**	**2012 ('000)**
Issued ordinary shares at beginning of the period	652,815	652,817	652,815	652,817
Effect of shares buyback during the period	(1)	(1)	(1)	(1)
Weighted average number of ordinary shares	652,814	652,816	652,814	652,816

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

12. Profit before taxation

Profit before taxation is arrived at after crediting/(charging):

	(Unaudited) Current Year Quarter 30.06.2013 RM'000	(Restated) Preceding Year Corresponding Quarter 30.06.2012 RM'000	(Unaudited) Current Year To Date 30.06.2013 RM'000	(Restated) Preceding Year Corresponding Period 30.06.2012 RM'000
Depreciation and amortisation	(20,268)	(18,435)	(38,086)	(35,217)
Reversal/(Provision for) and (write off) of receivables	(1,388)	(1,494)	(1,664)	(2,583)
Reversal/(Provision for) and (write off) of inventories	23	(19)	25	(65)
(Loss)/gain on disposal of properties and investments	(5)	3,602	1,682	5,289
Property, plant and equipment written off	-	(15)	(6)	(21)
Foreign exchange (loss)/gain	2,342	3,688	1,439	232
Gain/(loss) on derivatives	(493)	(969)	1,256	1,460
Gain on re-measurement to fair value of pre-existing equity interest	-	2,838	-	2,838
Other loss, including investment income	(82)	(7)	(82)	(10)

BY ORDER OF THE BOARD
YAP BEE LEE
CHANG PIE HOON
Company Secretaries
Kuala Lumpur
29 August 2013