



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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2008**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2008 RM'000	Preceding Year Corresponding Quarter 30.09.2007 RM'000	Current Year To-date 30.09.2008 RM'000	Preceding Year Corresponding Period 30.09.2007 RM'000
Revenue	1,002,478	593,027	2,545,862	1,421,358
Operating profit	117,703	47,649	274,028	95,906
Interest expense	(4,880)	(5,300)	(15,805)	(13,376)
Interest income	2,994	2,253	7,949	5,350
Share of profit of associates	(119)	241	638	1,153
Profit before taxation	115,698	44,843	266,810	89,033
Tax expense	(21,064)	(11,272)	(49,607)	(20,742)
Profit for the period	94,634	33,571	217,203	68,291
Attributable to:				
Equity holders of the Company	95,417	33,174	217,614	67,647
Minority interest	(783)	397	(411)	644
	94,634	33,571	217,203	68,291
Earnings per share (sen)				
(a) Basic	14.30	4.97	32.61	10.13
(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 2007.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 SEPTEMBER 2008**

	(Unaudited) As at end of current quarter 30.09.2008 RM'000	As at preceding financial year end 31.12.2007 RM'000
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	501,522	508,951
Prepaid lease payments	71,808	72,855
Investment properties	10,720	10,803
Investments in associates	18,462	17,824
Other investments	5,806	5,806
Finance lease receivables	2,108	5,405
Deferred tax assets	21,564	21,563
Hire purchase receivables	125,619	116,686
	<u>757,609</u>	<u>759,893</u>
<b><u>Current assets</u></b>		
Other investments	237,098	232,749
Hire purchase receivables	54,691	56,523
Trade and other receivables	260,851	249,961
Inventories	627,388	583,270
Current tax assets	3,016	8,755
Cash and cash equivalents	115,949	69,947
	<u>1,298,993</u>	<u>1,201,205</u>
<b>TOTAL ASSETS</b>	<u>2,056,602</u>	<u>1,961,098</u>
<b>EQUITIES AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	336,000	336,000
Reserves	1,070,259	902,160
Treasury shares	(6,532)	(5,561)
<b>Total equity attributable to shareholders of the Company</b>	<u>1,399,727</u>	<u>1,232,599</u>
<b>Minority interest</b>	<u>3,332</u>	<u>3,743</u>
<b>Total equity</b>	<u>1,403,059</u>	<u>1,236,342</u>
<b><u>Non-current liabilities</u></b>		
Deferred tax liabilities	29,978	30,895
Borrowings	233,231	295,596
Employee benefits	19,173	18,417
	<u>282,382</u>	<u>344,908</u>
<b><u>Current liabilities</u></b>		
Trade and other payables	217,285	219,944
Borrowings	128,338	158,542
Taxation	25,538	1,362
	<u>371,161</u>	<u>379,848</u>
<b>Total liabilities</b>	<u>653,543</u>	<u>724,756</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,056,602</u>	<u>1,961,098</u>
Net assets per share attributable to shareholders of the Company (RM)	2.10	1.85

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2008**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	-----  Attributable to Equity Holders of the Parent  -----				Total	Minority Interest	Total Equity
	Share capital	---Non-Distributable---		Distributable			
	RM'000	Treasury shares	Other reserves	reserves	RM'000	RM'000	RM'000
<b>At 01.01.07</b>	336,000	(4,090)	23	831,437	1,163,370	18,995	1,182,365
Purchase of treasury shares	-	(1,469)	-	-	(1,469)	-	(1,469)
Foreign exchange reserve	-	-	20	-	20	-	20
Net profit for the period	-	-	-	67,647	67,647	644	68,291
Dividend – 2006 Final	-	-	-	(12,192)	(12,192)	-	(12,192)
– 2007 Interim	-	-	-	(16,686)	(16,686)	-	(16,686)
<b>At 30.09.07</b>	<b>336,000</b>	<b>(5,559)</b>	<b>43</b>	<b>870,206</b>	<b>1,200,690</b>	<b>19,639</b>	<b>1,220,329</b>
<b>At 01.01.08</b>	336,000	(5,561)	33	902,127	1,232,599	3,743	1,236,342
Purchase of treasury shares	-	(971)	-	-	(971)	-	(971)
Foreign exchange reserve	-	-	(135)	-	(135)	-	(135)
Net profit for the period	-	-	-	217,614	217,614	(411)	217,203
Dividend – 2007 Final	-	-	-	(24,693)	(24,693)	-	(24,693)
– 2008 Interim	-	-	-	(24,687)	(24,687)	-	(24,687)
<b>At 30.09.08</b>	<b>336,000</b>	<b>(6,532)</b>	<b>(102)</b>	<b>1,070,361</b>	<b>1,399,727</b>	<b>3,332</b>	<b>1,403,059</b>

**The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007.**



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2008**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	<b>For the 9 months ended 30.09.2008 (RM'000)</b>	<b>For the 9 months ended 30.09.2007 (RM'000)</b>
Profit before tax	266,810	89,033
<b>Adjustments for:</b>		
Non-cash items	40,138	24,511
Non-operating items (investing/financing in nature)	6,567	8,026
<b>Operating profit before working capital changes</b>	313,515	121,570
<b>(Increase) / decrease in working capital</b>	(61,471)	223,906
<b>Other cash used in operations</b>	(29,840)	(8,522)
<b>Net cash generated from operating activities</b>	222,204	336,954
<b>Net cash used in investing activities</b>	(33,281)	(147,293)
<b>Net cash used in financing activities</b>	(142,291)	(219,016)
<b>Net increase / (decrease) in cash and cash equivalents</b>	46,002	(29,355)
<b>Cash and cash equivalents at beginning of the period</b>	69,947	133,187
<b>Cash and cash equivalents at end of the period</b>	115,949	103,832

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007.

## Explanatory notes as per FRS134 Interim Financial Reporting

### 1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the 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 2007. 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 2007.

### 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 2007 except for the adoption of the following revised FRSs:

FRS 107	Cash Flow Statement
FRS 118	Revenue
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above revised FRSs is not expected to have any material impact on the financial statements of the Group.

### 3. Audit qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2007.

### 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

Tan Chong Motor Assemblies Sdn. Bhd. (TCMA), a 70% owned subsidiary will discontinue the assembly of the Renault Kangoo vehicles after the existing stock of CKD kits have been used up completely. The carrying amount of the jigs for the assembly of the Renault Kangoo vehicles amounting to RM4.6 million was written off and charged to the income statement during the quarter as TCMA is not expected to recover the carrying amount of the jigs.

Coupled with the earlier RM2.7 million impairment charge at TC Euro Cars Sdn. Bhd. level in Q3 2007, the entire sunk cost in the Renault Kangoo model has been fully written off.

There were no other 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 603,900 units of its own shares through the open market at prices per share ranging from RM1.51 to RM1.70. The total consideration paid for the repurchases including transaction costs was RM968,647 and this was financed by internally generated funds. The cumulative total number of shares bought back at the end of the financial quarter was 5,221,900.

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

There were no issuance and repayment of debt securities, share cancellation and resale of treasury shares during the period.

## 8. Dividend paid

An interim dividend of 10% less tax of 26% for the year ending 31 December 2008 (2007 – 5% tax exempt) amounting to RM24.7 million (2007 – RM16.7 million) was paid on 26 September 2008.

## 9. Segmental reporting

	Revenue		Profit before tax	
	----- 9 months ended 30 September -----			
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Vehicle assembly, distribution and after sale services	2,536,412	1,410,046	272,831	90,619
Financial services	8,639	10,155	5,992	7,640
Other operations	4,337	4,307	3,157	3,158
	2,549,388	1,424,508	281,980	101,417
Inter-segment elimination	(3,526)	(3,150)	-	-
	2,545,862	1,421,358	281,980	101,417
Unallocated expenses			(7,952)	(5,511)
			274,028	95,906
Interest income			7,949	5,350
Interest expense			(15,805)	(13,376)
Share of profit of associates			638	1,153
			266,810	89,033

## 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 2007.

## 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 statements 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.

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

	30.09.08	31.12.07
	RM'000	RM'000
Property, plant and equipment		
Authorised and contracted for	15,704	20,658
Authorised but not contracted for	181,488	40,660
Joint venture investment		
Authorised and contracted for	-	215
	<u>197,192</u>	<u>61,533</u>

## Explanatory notes as per the Listing Requirements of Bursa Malaysia Securities Berhad

### 1. Review of performance

Total industry volume (TIV) peaked in Q3 2008 as the multiplier effect of the June fuel hike coupled with the increase in hire purchase interest rate in July, made its way through the economy and impacted domestic consumption. Malaysian Automotive Association reported a 20% year to date increase in September to 429,913 new vehicles on the road compared to 358,234 vehicles in the same period last year. However, Q3 2008 TIV was up only 3.2% over Q2 2008. We sense a broad slowing in TIV since August. A steady but quiet build-up in inventory is appearing at car parks and outlets. The proverbial party looks like it's over, at least for the neighborhood.

In contrast, our Q3 2008 out-performance is an unlikely result during an unusual period of external shocks. In nine months we exceeded consensus full year estimates with revenues of RM2.546 billion and earnings of RM217.6 million. The introduction of a 3rd model in our platform sharing initiative resulted in greater cost efficiency at the Serendah assembly plant. The all-new NISSAN Sylphy launched in end June is the bigger engine brother of the popular Grand Livina, Latio tuned, Latio sport and Latio sedan. We are proud to raise a family of fast moving stocks.

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

Revenues hit RM1 billion for the first time in a single quarter (July-September) on the back of a seamless 2nd shift in June. Volumes ramped up 23.9% sequentially from 8,784 units in Q2 2008 to 10,884 units in Q3 2008. The combined market share of all three brands namely, NISSAN, UD, and Renault stands at 6.0% of TIV for Q3 2008 compared to just 3.8% for the whole of last year.

Without the RM4.6 million impairment charge, pre-exceptional net profit hit a record high of about RM100 million in Q3 2008 compared to RM68.2 million and RM54.3 million in the two preceding quarters of this year. With a net margin of close to 10% in Q3 2008, Tan Chong is one of the most profitable auto companies at a time of global crisis.

### 3. Current year prospects

Q4 2008 revenue has started to weaken seasonally, quarter on quarter. This reflects in particular a material reduction in consumer spending as adverse world news depressed local sentiment somewhat. Adverse currency movements - given a significant strengthening of the USD and Yen (against RM) is also expected to make imports more costly from 2009 onwards. Fortunately, fuel prices have fallen substantially and this provides welcome relief. Measures to stimulate domestic demand by adopting a pro-active fiscal policy and a moderately loose monetary policy may also help.

The all new NISSAN Navara was successfully launched on 5 November 2008. It is among the maiden imports of CBU models from Renault-NISSAN on a commercial basis to complement our predominant CKD business - adding range to our deep value offerings. We are quickly moving away from a supply-push model to a demand-pull one. It will help us respond to abrupt changes in end-demand during times of low economic visibility, high currency volatility and global capacity shutdowns.

### 4. Comparison with profit forecast

This is not applicable to the Group.

### 5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.08	30.09.07	30.09.08	30.09.07
	RM'000	RM'000	RM'000	RM'000
Current year	(22,281)	(11,263)	(50,856)	(20,173)
Prior years	15	(20)	331	(112)
Deferred tax	1,202	11	918	(457)
	<u>(21,064)</u>	<u>(11,272)</u>	<u>(49,607)</u>	<u>(20,742)</u>

The effective tax rate for the quarter is lower than the statutory tax rate due to the utilisation of Reinvestment Allowance.



**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 September 2008.

**7. Purchase or disposal of quoted securities**

There were no purchases or disposals of quoted securities for the financial quarter ended 30 September 2008.

**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:

	Total (RM'000)
Unsecured :	
- Bills payable	53,620
- Short term loan	74,718
- Long term loan	233,231
Total borrowings	<u>361,569</u>
Comprising :	
Amount repayable within one year	128,338
Amount repayable after one year	233,231
	<u>361,569</u>

Our company has almost no gearing ((cash+investments-borrowings)/shareholders equity). Cash conversion cycle stood at 82 days as at 30 September 2008. This means that it takes 2.7 months to turn our RM671 million working capital or 33% of our total assets. Just as operating leverage is key in an upturn, de-stocking is crucial before a downturn. There is no safe haven, in our opinion only safeguards.

**10. Off-balance sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at the cut-off date of 5 November 2008 apart from outstanding forward contracts on foreign currencies in relation to the Group's purchases, the impact of which will be reflected in the operating performance of the Group.

Currency	Contract Amounts ('000)	Equivalent amount in Ringgit Malaysia ('000)	Expiry date
Japanese Yen	1,200,000	42,711	06 Nov 08 - 22 Dec 08
US Dollars	23,000	81,517	06 Nov 08 - 22 Dec 08
Euro	172	814	18 Nov 08 - 27 Mar 09

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.

As the forward contracts are used for hedging purposes, any profit or loss arising are accounted for on the same basis as that arising from the related assets, liabilities or net positions. 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 Litigation

Tan Chong & Sons Motor Company Sdn Bhd (“TCM”), a wholly-owned subsidiary of Tan Chong Motor Holdings Berhad, and two others were sued in 1985 in the High Court at Kota Kinabalu by a third-party for general damages estimated at RM10,672,000 and liquidated damages of RM2,970,000 together with interest and cost in connection with car distributorship in Sabah.

TCM is defending the claims. Before full trial, TCM has raised preliminary issues of law and parties have filed in their respective written submissions. The High Court has fixed the mention on 28 November 2008.

### 12. Dividend

No dividend was declared for the current financial quarter.

### 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:

Weighted average number of ordinary shares ('000)	Individual Quarter		Cumulative Quarter	
	2008	2007	2008	2007
Issued ordinary shares at beginning of the period	667,382	667,903	667,383	668,555
Effect of shares buyback during the period	(307)	(429)	(103)	(611)
Weighted average number of ordinary shares	<u>667,075</u>	<u>667,474</u>	<u>667,280</u>	<u>667,944</u>

### BY ORDER OF THE BOARD

**YAP BEE LEE**

Company Secretary

Kuala Lumpur  
17 November 2008