

## Directors' Report

The directors submit their Annual Report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2006.

### Principal Activities

The principal activities of the Group and Company consist of the assembly, distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles. There was no significant change in the nature of these activities during the financial year.

### Financial Results

	Group RM'000	Company RM'000
Profit before tax	50,649	47,956
Tax expense	(5,947)	(5,138)
Profit for the financial year from continuing operations	44,702	42,818
Profit for the financial year from discontinued operations	994	375
Profit attributable to equity holders	45,696	43,193

### Dividends

The dividends paid or declared by the Company since 31 December 2005 were as follows:

	RM'000
In respect of the financial year ended 31 December 2005, as shown in the Directors' report for the year, final gross dividend of 10 sen per share on 100,744,500 ordinary shares, less income tax, paid on 23 June 2006	7,254
In respect of the financial year ended 31 December 2006:	
Interim gross dividend of 5 sen per share on 100,744,500 ordinary shares, less income tax, paid on 27 October 2006	3,627
Special gross dividend of 203 sen per share on 100,744,500 ordinary shares, less income tax, paid on 27 October 2006	147,248
	158,129

The directors now recommend the payment of a final gross dividend of 5 sen per share on 100,744,500 ordinary shares, less income tax, amounting to RM3,677,000 which subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 22 June 2007 to shareholders whose names appear in the Company's Register of Members and Record of Depositors on 31 May 2007.

### Reserves and Provisions

Material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## Directors

The directors who have held office during the period since the date of the last report are:

Tan Sri Abdul Halim bin Ali	
Dato' Khalid bin Haji Ismail	
Steven Gareth Foster	
Datuk Hassan Abas	
Tan Sri Abdul Rashid Hussain	
Dato' Kamaruddin bin Mahmood	
Syed Zaid bin Syed Jaffar Albar	
Dato' Sulaiman bin Sujak	
Adam Phillip Charles Keswick	
Cheah Kim Teck	
Chiew Sin Cheok	(appointed on 15.11.2006)
Neville Barry Venter	(resigned on 31.10.2006)
Joshua Lariston Knightley Chetwode (Alternate to Neville Barry Venter)	(resigned on 31.3.2006)

In accordance with the Company's Articles of Association, Steven Gareth Foster and Datuk Hassan Abas retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with the Company's Articles of Association, Tan Sri Abdul Halim bin Ali retires by rotation at the forthcoming Annual General Meeting and will not offer himself for re-election.

In accordance with the Company's Articles of Association, Chiew Sin Cheok retires under casual vacancy at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

In accordance with Section 129 of the Companies Act, 1965, Dato' Sulaiman bin Sujak and Dato' Kamaruddin bin Mahmood being over seventy years of age, retire at the forthcoming Annual General Meeting and offer themselves for re-election.

## Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 6 and Note 32(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' Interests in Shares

According to the register of directors' shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares and options over shares in the Company and its related corporations were as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2006	Acquired	Sold	At 31.12.2006
Shares in the Company held by:				
Dato' Khalid bin Haji Ismail	8,000	0	0	8,000

	Number of ordinary shares of S\$1 each			
	At 1.1.2006	Acquired	Sold	At 31.12.2006
Shares in Jardine Cycle & Carriage Limited ("JCCL") held by:				
Cheah Kim Teck	11,001	0	0	11,001

## Directors' Report

### Options over ordinary shares of S\$1 each

	At 1.1.2006	Granted	Exercised	At 31.12.2006
Options in JCCL held by:				
Cheah Kim Teck	100,000	0	0	100,000

### Number of ordinary shares of S\$1 each

	At 1.1.2006	Acquired	Sold	At 31.12.2006
Shares in MCL Land Limited held by:				
Cheah Kim Teck	5,000	7,936	(12,936)	0

### Number of ordinary shares of US\$0.25 each

	At 1.1.2006	Acquired	Sold	At 31.12.2006
Shares in Jardine Matheson Holdings Limited ("JMHL") held by:				
Adam Phillip Charles Keswick	842,480	0	0	842,480
Adam Phillip Charles Keswick#	27,463,055	668,161	0	28,131,216
Steven Gareth Foster	0	3,000	(3,000)	0

# Deemed interest in shares held by a discretionary family trust in which Adam Phillip Charles Keswick is a potential ultimate beneficiary.

At 31 December 2006, Adam Phillip Charles Keswick and Dato' Khalid bin Haji Ismail had deemed interests in 35,915,991 ordinary shares in JMHL as discretionary objects under the 1947 Trust, the income of which is available for distribution to senior executive officers and employees of JMHL and its wholly owned subsidiaries.

### Options over ordinary shares of US\$0.25 each

	At 1.1.2006	Granted	Exercised	At 31.12.2006
Options in JMHL held by:				
Dato' Khalid bin Haji Ismail	25,000	0	0	25,000
Adam Phillip Charles Keswick	200,000	0	0	200,000
Steven Gareth Foster	16,000	0	(3,000)	13,000

None of the other directors held any interest in shares in the Company or its related corporations during the financial year.

### Statutory Information on the Financial Statements

Before the income statements and balance sheets were made out, the directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than items disclosed in Note 9 and Note 16 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

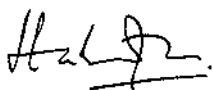
#### **Ultimate Holding Company**

The directors regard Jardine Matheson Holdings Limited, a company incorporated in Bermuda, as the Company's ultimate holding company.


#### **Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2007.



TAN SRI ABDUL HALIM BIN ALI  
Director




TAN SRI ABDUL RASHID HUSSAIN  
Director

## Statement by Directors

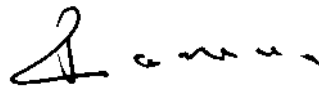
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Abdul Halim bin Ali and Tan Sri Abdul Rashid Hussain, two of the directors of Cycle & Carriage Bintang Berhad, state that, in the opinion of the directors, the financial statements set out on pages 44 to 88 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2007.



TAN SRI ABDUL HALIM BIN ALI  
Director



TAN SRI ABDUL RASHID HUSSAIN  
Director

## Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Teh Suat Guat, the officer primarily responsible for the financial management of Cycle & Carriage Bintang Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 88 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



TEH SUAT GUAT

Subscribed and solemnly declared by the abovenamed Teh Suat Guat.

At : Kuala Lumpur

On : 27 February 2007

Before me:



SARIAH BT. YEOB  
Commissioner for Oaths

## Report of the Auditors

To the Members of Cycle & Carriage Bintang Berhad (Company No. 7378-D)

We have audited the financial statements set out on pages 44 to 88. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

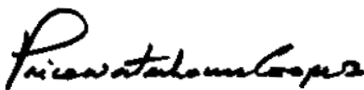
- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of section 174 of the Act.



PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants



LOH LAY CHOON  
(No. 2497/03/08 (J))  
Partner of the firm

Kuala Lumpur  
27 February 2007

## Consolidated Income Statement

For the financial year ended 31 December

	Note	2006 RM'000	2005 RM'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	640,574	709,183
Cost of sales		(565,293)	(627,850)
Gross profit		75,281	81,333
Other operating income			
– gain on disposal of properties	31	42,021	0
– others		17,546	24,588
Selling and distribution costs		(57,823)	(53,093)
Administrative expenses		(21,747)	(21,634)
Other operating expenses		(2,273)	(1,024)
OPERATING PROFIT		53,005	30,170
FINANCE COST – interest expense on borrowings		(2,329)	(2,872)
SHARE OF (LOSS)/PROFIT OF AN ASSOCIATED COMPANY		(27)	1,729
PROFIT BEFORE TAX		50,649	29,027
TAX EXPENSE	7	(5,947)	(8,130)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		44,702	20,897
<b>DISCONTINUED OPERATIONS</b>			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	994	3,011
PROFIT FOR THE YEAR	9	45,696	23,908
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		45,696	23,908
Basic earnings per share attributable to the equity holders of the Company (sen):			
– profit for the year from continuing operations	11	44.4	20.7
– profit for the year	11	45.4	23.7

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Consolidated Balance Sheet

As at 31 December

	Note	2006 RM'000	2005 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	104,142	136,292
Investment in an associated company	15 & 30	1,070	9,374
Investment in unquoted shares	16	66,003	66,003
Hire purchase receivables	17	0	278
Deferred tax assets	18	243	1,284
		<b>171,458</b>	<b>213,231</b>
<b>CURRENT ASSETS</b>			
Inventories	19	175,738	236,994
Trade and other receivables	20	92,472	105,206
Amounts due from an associated company		8	19
Short term investment	21	574	918
Bank and cash balances	23	23,912	14,040
		<b>292,704</b>	<b>357,177</b>
Non-current assets held for sale	8	7,871	0
		<b>300,575</b>	<b>357,177</b>
<b>TOTAL ASSETS</b>		<b>472,033</b>	<b>570,408</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	18	2,344	2,179
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	24	3,342	2,858
Trade and other payables	25	38,897	53,804
Borrowings (unsecured)	26	140,139	125,200
Taxation		8	524
		<b>182,386</b>	<b>182,386</b>
<b>TOTAL LIABILITIES</b>		<b>184,730</b>	<b>184,565</b>
<b>NET ASSETS</b>		<b>287,303</b>	<b>385,843</b>
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	27	100,745	100,745
Share premium		23,857	23,857
Revaluation reserve		12,627	0
Retained profits		150,074	261,241
<b>TOTAL EQUITY</b>		<b>287,303</b>	<b>385,843</b>

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For the financial year ended 31 December

	Attributable to equity holders of the Company						
	Issued and fully paid ordinary shares of RM1 each		Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained profits RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000					
At 31 December 2004	100,745	100,745	23,857	624	10,100	238,483	373,809
Share of associated company's exchange difference	0	0	0	0	(993)	0	(993)
Share of associated company's revaluation reserve realised on disposal of properties	0	0	0	(624)	0	624	0
Transfer to retained profits on liquidation of subsidiaries of associated company	0	0	0	0	(9,107)	9,107	0
(Expense)/income recognised directly in equity	0	0	0	(624)	(10,100)	9,731	(993)
Profit for the year	0	0	0	0	0	23,908	23,908
Total (expense)/income for the year	0	0	0	(624)	(10,100)	33,639	22,915
Dividends for the financial year ended:							
– 31 December 2004	0	0	0	0	0	(7,254)	(7,254)
– 31 December 2005	0	0	0	0	0	(3,627)	(3,627)
At 31 December 2005	100,745	100,745	23,857	0	0	261,241	385,843

	Attributable to equity holders of the Company						
	Issued and fully paid ordinary shares of RM1 each		Share premium RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000	
	Number of shares '000	Nominal value RM'000					
At 31 December 2005 as previously reported	100,745	100,745	23,857	0	261,241	385,843	
Effects of adopting FRS 140 (Note 4 (l)(d))	0	0	0	0	(970)	(970)	
At 31 December 2005 as restated	100,745	100,745	23,857	0	260,271	384,873	
Revaluation surplus, net of tax arising from change in accounting policy							
– property, plant and equipment (Note 4 (ll))	0	0	0	15,045	0	15,045	
Revaluation deficit on property, plant and equipment during the financial year	0	0	0	(185)	0	(185)	
Realisation of revaluation surplus on disposal of property, plant and equipment	0	0	0	(2,233)	2,233	0	
Share of associated company's exchange difference	0	0	0	0	3	3	
Income recognised directly in equity	0	0	0	12,627	2,236	14,863	
Profit for the year	0	0	0	0	45,696	45,696	
Total income for the year	0	0	0	12,627	47,932	60,559	
Dividends for the financial year ended:							
– 31 December 2005	0	0	0	0	(7,254)	(7,254)	
– 31 December 2006	0	0	0	0	(150,875)	(150,875)	
At 31 December 2006	100,745	100,745	23,857	12,627	150,074	287,303	

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Consolidated Cash Flow Statement

For the financial year ended 31 December

	Note	2006 RM'000	2005 RM'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operations	29	54,665	(42,604)
Interest paid		(1,860)	(2,536)
Interest received		339	228
Taxation refunded/(paid)		10,085	(531)
Retrenchment/voluntary separation benefit paid	24	(346)	(6,790)
Warranty utilised		(1,057)	(2,169)
		7,161	(11,798)
Net cash flow from operating activities		61,826	(54,402)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		85,153	1,492
Proceeds from disposal of short term investment		0	2
Purchase of property, plant and equipment		(13,426)	(27,644)
Interim capital distribution from an associated company	15	8,280	69,755
Dividends received		11,229	21,720
Net cash flow from investing activities		91,236	65,325
<b>FINANCING ACTIVITIES</b>			
Revolving credits and bankers acceptance		14,800	5,721
Dividends paid		(158,129)	(10,881)
Net cash flow from financing activities		(143,329)	(5,160)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>9,733</b>	<b>5,763</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>14,040</b>	<b>8,277</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>23</b>	<b>23,773</b>	<b>14,040</b>

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Company Income Statement

For the financial year ended 31 December

	Note	2006 RM'000	2005 RM'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	509,674	508,287
Cost of sales		(455,849)	(455,269)
Gross profit		53,825	53,018
Other operating income			
– gain on disposal of properties	31	42,021	0
– others		21,622	29,512
Selling and distribution costs		(38,902)	(34,271)
Administrative expenses		(19,450)	(19,016)
Other operating expenses		(8,831)	(1,730)
OPERATING PROFIT		50,285	27,513
FINANCE COST – interest expense on borrowings		(2,329)	(2,872)
PROFIT BEFORE TAX		47,956	24,641
TAX EXPENSE	7	(5,138)	(7,978)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		42,818	16,663
<b>DISCONTINUED OPERATIONS</b>			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	375	179
PROFIT FOR THE YEAR	9	43,193	16,842

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Company Balance Sheet

As at 31 December

	Note	2006 RM'000	2005 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	103,456	138,870
Investments in subsidiary companies	14 & 30	35,810	38,602
Investment in an associated company	15 & 30	817	9,097
Investment in unquoted shares	16	66,003	66,003
		<b>206,086</b>	<b>252,572</b>
<b>CURRENT ASSETS</b>			
Inventories	19	132,884	191,624
Trade and other receivables	20	72,347	82,828
Short term investment	21	574	918
Amounts due from subsidiary companies	22	38,890	30,926
Amount due from an associated company		7	18
Bank and cash balances	23	19,731	3,459
		<b>264,433</b>	<b>309,773</b>
Non-current assets held for sale	8	7,871	0
		<b>272,304</b>	<b>309,773</b>
<b>TOTAL ASSETS</b>		<b>478,390</b>	<b>562,345</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	18	2,287	2,179
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	24	2,480	2,067
Trade and other payables	25	31,739	39,400
Amounts due to subsidiary companies	22	23,940	13,718
Borrowings (unsecured)	26	140,139	125,200
		<b>198,298</b>	<b>180,385</b>
<b>TOTAL LIABILITIES</b>		<b>200,585</b>	<b>182,564</b>
<b>NET ASSETS</b>		<b>277,805</b>	<b>379,781</b>
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	27	100,745	100,745
Share premium		23,857	23,857
Revaluation reserve		11,660	0
Retained profits	28	141,543	255,179
<b>TOTAL EQUITY</b>		<b>277,805</b>	<b>379,781</b>

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Company Statement of Changes in Equity

For the financial year ended 31 December 2006

	Attributable to equity holders of the Company						
	Issued and fully paid ordinary shares of RM1 each		Non-Distributable			Distributable	Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Other reserve* RM'000	Retained profits RM'000	
At 31 December 2004	100,745	100,745	23,857	0	366	248,852	373,820
Transfer to retained profits on realisation of property, plant and equipment	0	0	0	0	(366)	366	0
(Expense)/income recognised directly in equity	0	0	0	0	(366)	366	0
Profit for the year	0	0	0	0	0	16,842	16,842
Total (expense)/income for the year	0	0	0	0	(366)	17,208	16,842
Dividends for the financial year ended:							
– 31 December 2004	0	0	0	0	0	(7,254)	(7,254)
– 31 December 2005	0	0	0	0	0	(3,627)	(3,627)
At 31 December 2005	100,745	100,745	23,857	0	0	255,179	379,781

\* Other reserve relates to unrealised profits on sale of property, plant and equipment to a subsidiary company.

	Attributable to equity holders of the Company						
	Issued and fully paid ordinary shares of RM1 each		Non-Distributable		Distributable	Total RM'000	
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained profits RM'000		
At 31 December 2005 as previously reported	100,745	100,745	23,857	0	255,179	379,781	
Effects of adopting FRS 140 (Note 4 (l)(d))	0	0	0	0	(933)	(933)	
At 31 December 2005 as restated	100,745	100,745	23,857	0	254,246	378,848	
Revaluation surplus, net of tax arising from change in accounting policy							
– property, plant and equipment (Note 4 (ll))	0	0	0	13,893	0	13,893	
Realisation of revaluation surplus on disposal of property, plant and equipment	0	0	0	(2,233)	2,233	0	
Income recognised directly in equity	0	0	0	11,660	2,233	13,893	
Profit for the year	0	0	0	0	43,193	43,193	
Total income for the year	0	0	0	11,660	45,426	57,086	
Dividends for the financial year ended:							
– 31 December 2005	0	0	0	0	(7,254)	(7,254)	
– 31 December 2006	0	0	0	0	(150,875)	(150,875)	
At 31 December 2006	100,745	100,745	23,857	11,660	141,543	277,805	

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Company Cash Flow Statement

For the financial year ended 31 December

	Note	2006 RM'000	2005 RM'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operations	29	58,705	(54,033)
Interest paid		(1,860)	(2,536)
Interest received		324	207
Taxation refunded		11,221	0
Warranty utilised		(1,055)	(2,169)
		8,630	(4,498)
Net cash flow from operating activities		67,335	(58,531)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		85,000	509
Proceeds from disposal of short term investment		0	2
Purchase of property, plant and equipment		(12,384)	(27,165)
Investment in subsidiary companies		(2,500)	0
Interim capital distribution from an associated company	15	8,280	69,755
Dividends received		13,731	21,640
Net cash flow from investing activities		92,127	64,741
<b>FINANCING ACTIVITIES</b>			
Revolving credits and bankers acceptance		14,800	5,721
Dividends paid		(158,129)	(10,881)
Net cash flow from financing activities		(143,329)	(5,160)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>16,133</b>	<b>1,050</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>3,459</b>	<b>2,409</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>23</b>	<b>19,592</b>	<b>3,459</b>

The accounting policies on pages 52 to 59 and the notes on pages 60 to 88 form an integral part of these financial statements.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2006

Unless otherwise stated, the following accounting policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the financial statements.

### A Basis of Preparation

The consolidated financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with the Financial Reporting Standards and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results could differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### (a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments to published standards and IC interpretations to existing standards effective for the financial year beginning on 1 January 2006 are as follows:

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sales and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earning Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property
- Amendment to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the “asset ceiling” test
- IC 107 Introduction of the Euro
- IC 110 Government Assistance – No Specific Relation to Operating Activities
- IC 112 Consolidation – Special Purpose Entities
- IC 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- IC 115 Operating Leases – Incentives
- IC 121 Income Taxes – Recovery of Revalued Non-Depreciable Assets
- IC 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- IC 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IC 129 Disclosure – Service Concession Arrangements
- IC 131 Revenue – Barter Transactions Involving Advertising Services
- IC 132 Intangible Assets – Web Site Costs
- IC 201 Preliminary and Pre-operating Expenditure

## A Basis of Preparation (continued)

### (a) Standards, amendments to published standards and interpretations that are effective (continued)

The Group has adopted the new accounting standards, amendments to published standards and IC Interpretations that are relevant to the Group. All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- FRS 5 – prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and to operations that meet the criteria to be classified as discontinued on/after 1 January 2006. However, the group has elected to apply FRS 5 retrospectively.
- FRS 140 – prospective accounting for investment properties at fair value, with the difference between the carrying value and fair value as at 1 January 2006 being reported as an adjustment to the opening retained earnings for the financial year ended 31 December 2006.

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the financial statements of the Group and Company is set out in Note 4.

### (b) Standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory of the Group's financial year beginning on or after 1 January 2007 or later periods, but which the Group has not early adopted, are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial year beginning on 1 January 2007.
- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial year beginning on 1 January 2007.
- FRS 139 Financial Instrument: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This standard establishes the principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

### (c) Standards, amendments to published standards and interpretations that are not yet effective and not relevant to the Group

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). FRS 6 is not relevant to the Group's operations as the Group is not involved in exploration for and evaluation of mineral resources.
- Amendments to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment is not relevant to the Group's operations as the Group does not have defined benefit retirement plan.
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation. This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities. This deals with changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate.
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments.
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.
- IC Interpretation 7 Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies.
- IC Interpretation 8 Scope of FRS 2. This Interpretation clarifies that FRS 2 Share-based Payment applies even in the absence of specifically identifiable goods or services.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2006

### B Basis of Consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies which are made up to 31 December.

Subsidiary companies are consolidated from the date of acquisition up to the date of disposal using the acquisition method of accounting. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

### C Subsidiary Companies

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiary companies are stated in the financial statements of the Company at cost less allowance for any accumulated impairment losses. Impairment in value of an investment is recognised as an expense in the period in which the impairment is identified.

A listing of the Group's subsidiary companies is set out in Note 30.

### D Associated Companies

Associates are all entities over which the Group has significant influence, but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recorded at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Significant unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments have been made where necessary to ensure consistency with the policies adopted by the Group.

The details of the Group's associated company are shown in Note 30.

### E Investments

Marketable securities (within current asset) are carried at the lower of cost and market value determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted last transaction price at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are credited/charged to the income statement.

Unquoted investments are stated at cost and provision for diminution in value is only made where in the opinion of the directors, there is a reduction in carrying amount which is other than a temporary decline.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged/credited to the income statement.

## F Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill on acquisitions of associates is included in interest in associates while goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The gains or losses on disposal of subsidiaries and associates includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each of those cash-generating units represents the Group's investment in each primary reporting segment.

## G Property, Plant and Equipment

With effect from 1 January 2006, freehold land which was previously stated at cost is now stated at valuation and buildings which were previously stated at cost less accumulated depreciation and impairment losses where applicable are now stated at valuation less accumulated depreciation and impairment losses where applicable. Independent valuations are performed every three years on an open market basis, and in the case of building component of leasehold properties, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years, the directors review the carrying values and adjustment is made where there has been a material change. Any accumulated depreciation on the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Revaluation surpluses and deficits are dealt in asset revaluation reserves, except for movements on individual properties below depreciated cost which are dealt with in the income statement. All other assets are stated at historical cost less depreciation and impairment losses.

Freehold land is not depreciated. Leasehold land is amortised in equal instalments over the periods of the respective leases which range from 61 to 91 years. Buildings are depreciated using the straight line method over their estimated useful economic lives or the estimated remaining period of the lease, whichever is shorter. All other property, plant and equipment are depreciated on a straight line basis to write-off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

Buildings	3 <sup>1</sup> / <sub>3</sub> % – 20%
Plant and machinery	14% – 33%
Motor vehicles, equipment and fixtures	10% – 33%

Depreciation on assets under construction commences when the assets are ready for their intended use.

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the income statement in determining profit from operations. The revaluation surplus on land and buildings is transferred directly to retained earnings on sale of the property.

## H Investment Properties

With effect from 1 January 2006, properties held for long-term rental yields and capital appreciation are classified as investment properties. Investment properties are stated at fair value, determined annually by independent professionally qualified valuers on an open market basis. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The changes in fair values of investment properties are recorded in the income statement as part of other operating income/expenses.

When investment properties meet the definition of assets held for sale per FRS 5, the Company reclassified these investment properties from non-current assets to current assets as per Accounting Policy I below. The investment properties reclassified as non-current assets held for sale continues to be measured at its fair value at each balance sheet date as required by FRS 5.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of retirement or disposal.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2006

### I Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The Group adopted FRS 5 from 1 January 2006 retrospectively. The non-current assets (or disposal groups) held for sale were previously neither classified nor presented as current assets or liabilities. Such non-current assets (or disposal groups) were not previously measured differently from other assets and liabilities.

### J Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial asset other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment loss on goodwill is not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### K Operating Leases

#### Accounting by lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

### L Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is generally determined using the first in, first out method except for spare parts, where cost is determined on the weighted average method. Work-in-progress and cost of locally assembled vehicles include direct materials, labour and an appropriate proportion of production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Allowances are made where necessary for obsolete, slow-moving and defective stocks.

### M Trade Receivables

Trade receivables are carried at anticipated realisable value.

Bad debts are written off when it is established that they are irrecoverable.

## **N Income Taxes**

Current tax expense is provided based on the tax payable on the income for the financial year that is chargeable to tax.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revenue received in advance, impairment of assets, revaluations of certain non-current assets, provisions for pensions and other post-retirement benefits, and tax losses carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases.

Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, carry-forward of unused tax losses and tax credits but only to the extent that it is probable that taxable profit will be available against which these temporary differences, losses or tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## **O Foreign Currencies**

### **(a) Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

### **(b) Transactions and balances**

Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies have been converted at rates ruling at the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements.

## **P Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales and service taxes, excise duties, and is stated net of discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Interest income and return on investment are recognised in the income statement on a time-proportion basis unless collection is in doubt.

Dividend income is recognised when the Group's right to receive payment is established.

## **Q Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## **R Share Capital**

### **(1) Classification**

Ordinary shares are classified as equity.

### **(2) Dividends**

Interim dividends are accounted for in shareholders' equity as an appropriation of retained earnings in the period in which they are declared whilst final dividends are accounted for when approved by shareholders at the Annual General Meeting.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2006

### S Employee Benefits

#### (1) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### (2) Defined contribution plan

The Group's contributions to the Employees' Provident Fund, a defined contribution plan regulated and managed by the government, are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

#### (3) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### T Financial Instruments

#### (1) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### (2) Financial instruments recognised on the balance sheet

Financial instruments carried on the balance sheet include cash and bank balances, receivables, investments, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### (3) Financial instruments not recognised on the balance sheet

The Group and Company are also parties to financial instruments that reduce exposure to fluctuations in foreign currency exchange. These instruments, which mainly comprise foreign currency forward contracts, are not recognised in the financial statements on inception.

The Group and Company entered into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is offset by a corresponding movement in the value of the foreign currency forward contract. The gains and losses are therefore offset for financial reporting purposes and are not recognised in the financial statements.

## **T Financial Instruments (continued)**

### **(4) Fair value estimation for disclosure purposes**

The fair value of publicly traded investments is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted value of future cash flows are used to determine fair value for investment in unquoted shares.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values. The fair value of financial assets and liabilities with a maturity period of more than one year are disclosed in the notes to the financial statement.

## **U Segment Reporting**

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

## **V Provisions**

Provisions for service and warranty, retrenchment benefit and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **W Borrowings**

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless they are due at least 12 months after the balance sheet date.

# Notes to the Financial Statements

For the financial year ended 31 December 2006

## 1 General Information

The principal activities of the Group and of the Company consist of the assembly, distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles.

The ultimate holding company of the Company is Jardine Matheson Holdings Limited, a company incorporated in Bermuda.

The holding company of the Company is Jardine Cycle & Carriage Limited, a company incorporated in Singapore.

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is as follows:

20th Floor, East Wing  
Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

Wisma Bintang  
No. 13A, Jalan 225  
46100 Petaling Jaya  
Selangor Darul Ehsan

## 2 Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

The Group uses foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. It does not trade in such financial instruments.

### Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by the Company in currencies other than their functional currency. Foreign currency forward contracts are entered into by the Company to limit its exposure to foreign currency risk.

### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings.

### Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group has no significant concentrations of credit risk. The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit worthiness.

### Liquidity and cash flow risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and an adequate amount of available committed credit facilities.

### 3 Critical Accounting Estimates and Judgement

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

#### (a) Service and warranty

The Group and Company provide service and warranties on vehicles sold under specific warranty terms. A provision is made for expected warranty claims based on past service histories or potential obligation to maintain brand image.

Factors that could impact the estimated warranty claim include the quality of the products distributed, as well as parts and labour costs.

#### (b) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of the deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

#### (c) Return on investment in DaimlerChrysler Malaysia Sdn Bhd ("DCM")

As disclosed in Note 16, under the terms of the agreement with DaimlerChrysler AG ("DCAG"), the Company is entitled to receive an annual net dividend income of RM11.2 million in respect of the investment in DCM.

For the year ended 31 December 2006, the Group has recognised a gross return on investment of RM15.4 million (2005: RM15.6 million). The directors are of the opinion that the entitlement to receive the return on investment from DCM is probable based on historical experience and as the Group has obtained confirmation from DCM that DCM is in a position to honour such payment for the financial year ended 31 December 2006, barring unforeseen circumstances.

In the event that DCM is unable to declare such dividend in full, DCAG undertakes to pay the shortfall to the extent of RM11.2 million ("minimum assured amount"). The amount receivable from DCAG will be subject to income tax and the Group will effectively receive an annual net income of RM8.2 million. In this respect, the profit before tax of the Group and Company will be overstated by RM4.2 million (RM3.0 million after tax).

### 4 Changes in Accounting Policies

#### (I) Changes in accounting policies as a result of new accounting standards, amendments to published standards and interpretations on existing standards

The list of new accounting standards, amendments to published standards and interpretations on existing standards that are effective for the Group's financial year beginning on or after 1 January 2006 is set out in accounting policy A – Basis of Preparation.

The following describes the impact of new standards, amendments and interpretations on the financial statements of the Group and Company.

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 4 Changes in Accounting Policies (continued)

#### (l) Changes in accounting policies as a result of new accounting standards, amendments to published standards and interpretations on existing standards (continued)

##### (a) Irrelevant or immaterial effect on financial statements

The adoption of FRS 1, 2, 3, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138, the “asset ceiling” amendment to FRS 119<sub>2004</sub> and ICs did not have a material impact on the financial statements of the Group and Company.

##### (b) Reclassification of prior year comparatives

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group’s and the Company’s net assets:

- Under FRS 101, the Group’s share of results of associated company is now shown net of tax.
- Under FRS 5, profit from discontinued operations is presented as a single amount net of tax on the face of the income statement.

##### (c) FRS 5 Non-current Assets Held for Sale and Discontinued Operations

The adoption of FRS 5 Non-current Assets Held for Sale and Discontinued Operations retrospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale has resulted in a change in accounting policy for non-current assets (or disposal groups) held for sale. The adoption of this standard has no material impact on the prior year’s financial statements.

Non-current assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell except for investment properties which are stated at fair value as required by FRS 5.

##### (d) FRS 140 Investment Property

The adoption of FRS 140 has resulted in a change in accounting policy for investment properties.

The definition of investment properties under FRS 140 has resulted in identification of additional assets of the Group and Company that meet the definition of investment properties. These properties are now classified into a separate asset category on the balance sheet. Previously, investment properties were included in property, plant and equipment.

Investment properties are now stated at fair value, representing the open-market value determined by external valuers. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise. Previously, investment properties were included within property, plant and equipment and stated at cost less accumulated depreciation and impairment losses.

In accordance with the transition provisions of FRS 140, the change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated. The fair value decrease in respect of investment properties as at 1 January 2006 of RM970,000 and RM933,000 for the Group and Company respectively, has been accounted for by restating the opening balances of investment properties as at 1 January 2006, with a corresponding decrease in retained earnings.

The effect of the adoption of FRS 140 is summarised as follows:

	Group RM’000	Company RM’000
Decrease in retained earnings as at 1 January 2006 (net of deferred taxation)	970	933
Decrease in property, plant and equipment	8,045	8,008
Increase in investment properties	7,075	7,075

#### 4 Changes in Accounting Policies (continued)

##### (II) Change in accounting policy to provide more reliable and relevant information in the financial statements

###### FRS 116 Property, Plant and Equipment

Freehold land which was previously stated at cost is now stated at valuation and buildings which were previously stated at cost less depreciation and impairment losses where applicable are now stated at valuation less depreciation and impairment losses where applicable.

Independent valuations will be performed every three years on an open market basis. In the intervening years, the directors review the carrying values and adjustment is made where there has been a material change. Any accumulated depreciation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluation surpluses and deficits are dealt with in asset revaluation reserves, except for movements on individual properties below the depreciated cost which are dealt with in the profit and loss account.

The adoption of revaluation model for subsequent measurement instead of costs model as the management is of the opinion that revaluation model reflects current valuation which is more informative and consistent with the policy adopted by the immediate holding company.

The impact of the change in accounting policy is summarised as follows:

	Group RM'000	Company RM'000
Increase in revaluation reserve, net of tax arising from change in accounting policy	15,045	13,893
Increase in property, plant and equipment	16,132	14,904

#### 5 Revenue

Revenue of the Group and Company comprises sales of motor vehicles, spare parts and servicing of motor vehicles, excluding sales and service taxes, excise duty and net of discounts.

Revenue of the Group comprises sales to external customers.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sales of goods	612,643	680,332	486,899	486,590
Servicing of motor vehicles	27,931	28,851	22,775	21,697
	640,574	709,183	509,674	508,287

#### 6 Directors' Remuneration

The directors of the Company in office during the financial year were as follows:

##### Non-executive Directors

Tan Sri Abdul Halim bin Ali

Dato' Khalid bin Haji Ismail

Datuk Hassan Abas

Tan Sri Abdul Rashid Hussain

Dato' Kamaruddin bin Mahmood

Syed Zaid bin Syed Jaffar Albar

Dato' Sulaiman bin Sujak

Adam Phillip Charles Keswick

Cheah Kim Teck

Chiew Sin Cheok

(appointed on 15.11.2006)

Neville Barry Venter

(resigned on 31.10.2006)

Joshua Lariston Knightley Chetwode

(Alternate to Neville Barry Venter)

(resigned on 31.3.2006)

##### Executive Director

Steven Gareth Foster

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 6 Directors' Remuneration (continued)

The aggregate amount of emoluments receivable by directors of the Company during the year were as follows:

	Group and Company	
	2006	2005
	RM'000	RM'000
Non-executive Directors:		
– fees	602	647
– salaries and bonus	168*	312*
– estimated money value of benefits-in-kind	29*#	44*#
Executive Director:		
– salaries and bonus	1,405	1,322
– estimated money value of benefits-in-kind	206 <sup>®</sup>	329 <sup>®</sup>
– defined contribution retirement plan	100 <sup>®</sup>	99 <sup>®</sup>
	<b>2,510</b>	<b>2,753</b>

\* The emoluments are in relation to Joshua Lariston Knightley Chetwode, an officer of the Group and Company who has resigned on 31.3.2006.

# The amounts also include estimated money value of benefits-in-kind of RM29,000 (2005: RM29,000) in relation to Tan Sri Abdul Halim bin Ali, the Chairman of the Group and Company.

® The amounts include amount payable to Jardine Matheson & Co., Ltd and Jardine Cycle & Carriage Limited of RM271,000 (2005: RM352,000).

### 7 Tax Expense

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
<b>In Malaysia</b>				
Current tax	5,969	5,871	6,200	4,275
Deferred tax	(25)	2,259	(1,065)	2,633
<b>Outside Malaysia</b>				
Current tax	3	0	3	1,070
	<b>5,947</b>	<b>8,130</b>	<b>5,138</b>	<b>7,978</b>
<b>Discontinued Operations</b>				
<b>In Malaysia</b>				
Current tax	2	76	2	75
Deferred tax	163	751	163	0
	<b>165</b>	<b>827</b>	<b>165</b>	<b>75</b>
<b>Continuing Operations</b>				
Current tax:				
– current year	6,693	6,645	6,640	5,493
– benefit from utilisation of tax losses on Group relief	(679)	0	(679)	0
– benefit from previously unrecognised temporary differences and tax losses	(184)	(522)	0	0
– under/(over) accrual in prior years (net)	142	(252)	242	(148)
Deferred tax:				
– origination and reversal of temporary differences	(741)	2,259	(1,065)	2,633
– write down of deferred tax assets	716	0	0	0
	<b>5,947</b>	<b>8,130</b>	<b>5,138</b>	<b>7,978</b>

## 7 Tax Expense (continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Discontinued Operations</b>				
Current tax:				
– current year	186	76	2	75
– benefit from previously unrecognised temporary differences and tax losses	(184)	0	0	0
Deferred tax:				
– origination and reversal of temporary differences	163	751	163	0
	165	827	165	75

The effective tax rates of the Group and of the Company differ from the prevailing statutory income tax rate of 28% due to the following:

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Malaysian tax rate	28	28	28	28
Tax effects of:				
– lower tax rate on RPGT	(20)	0	(21)	(2)
– expenses not deductible for tax purposes	1	6	5	7
– current year's tax losses not recognised	3	1	0	0
– temporary differences previously recognised as deferred tax asset, now reversed	1	1	0	0
– current year's temporary differences not recognised	0	1	0	0
– (over)/underaccrual in prior years (net)	0	(1)	0	(1)
– utilisation of previously unrecognised tax losses	0	(2)	0	0
– income not subject to tax	0	(3)	0	0
– benefits from utilisation of tax losses on group relief	(1)	0	(1)	0
– utilisation of previously unrecognised temporary differences	0	(2)	0	0
Average effective tax rate	12	29	11	32

Included in tax expense of the Group is tax savings amounting to RM679,000 (2005: RM20,000) from utilisation of current year tax losses.

Tax savings during the financial year due to recognition of previously unrecognised tax losses amounted to RM Nil (2005: RM522,000).

## 8 Discontinued Operations and Non-current Assets Held for Sale

### (i) Discontinued Operations

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Discontinuance of the Mercedes-Benz wholesale business operation (Note 8(l)(a))	375	184	375	179
Discontinuance of the assembling operations (Note 8(l)(b))	619	2,827	0	0
Profit for the year from discontinued operations	994	3,011	375	179

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 8 Discontinued Operations and Non-current Assets Held for Sale (continued)

#### (l) Discontinued Operations (continued)

##### (a) Discontinued Mercedes-Benz Wholesale Business Operation

On 9 December 2003, the Company entered into a joint-venture agreement with DaimlerChrysler AG (“DCAG”) to set up a joint venture company, DaimlerChrysler Malaysia Sdn Bhd (“DCM”), for the following:

- (i) purchase of and import into Malaysia of completely-built-up, completely-knocked-down and semi-knocked-down motor vehicles;
- (ii) local assembly of motor vehicles;
- (iii) distribution of motor vehicles and spare parts; and
- (iv) responsibility for and performance of after sales service.

The existing Agency Agreement dated 30 October 1974 between Mercedes-Benz AG, the legal predecessor of DCAG and the Company had been terminated as a consequent of the above joint-venture agreement. The Company was thereafter appointed as a major dealer of DCM.

As a result, the Company ceased to have the rights to the Mercedes-Benz wholesale business effective 1 January 2003. The discontinuance of the wholesale business affects the automobile industry business segment.

The results attributable to the discontinued Mercedes-Benz wholesale business operation during the year were as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	0	0	0	0
Expenses excluding finance cost and tax	529	87	529	87
Operating profit	529	87	529	87
Gain on disposal of assets	11	172	11	167
Profit before tax	540	259	540	254
Tax expense	(165)	(75)	(165)	(75)
Profit after tax	375	184	375	179

The cash flows attributable to the discontinued Mercedes-Benz wholesale business operation during the year were as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating activities	110	1,705	110	1,705
Investing activities – proceeds from disposal of equipment	18	247	18	242
Total cash flow	128	1,952	128	1,947

The net gain on disposal of equipment attributable to the discontinued Mercedes-Benz wholesale business operation during the year was as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Proceeds from disposal	18	247	18	242
Net book value of equipment	(7)	(75)	(7)	(75)
Gain on disposal before and after tax	11	172	11	167

## 8 Discontinued Operations and Non-current Assets Held for Sale (continued)

### (l) Discontinued Operations (continued)

#### (b) Discontinued Assembling Operations

In 2004, DaimlerChrysler Malaysia Sdn Bhd (“DCM”) informed the Group of its intention to early terminate the assembly agreements with Asia Automobile Industries Sendirian Berhad (“AAI”) and Srisari Sdn Bhd (“Srisari”), both of which are wholly owned subsidiaries of the Company. AAI was contracted to assemble Mercedes-Benz C-Class, S-Class and commercial vehicles (“the Vehicles”) while Srisari, the Mercedes-Benz C-Class, E-Class and S-Class engines (“the Engines”). Both AAI and Srisari are collectively called the “Assemblers”.

On 14 January 2005, both AAI and Srisari each entered into a separation agreement (“the Separation Agreement”) with DCM for an early termination of the assembly agreements as follows:

- (i) In consideration of the payment by DCM to the Assemblers of a sum of RM10,900,000 (the “Separation Cost”), DCM and the Assemblers agreed to an early termination of the Vehicle assembly agreement dated 9 June 2003 made between DCM and AAI; and the Engine assembly agreement dated 12 April 2004 made between DCM and Srisari (collectively, the “Assembly Agreements”) for the assembly of Vehicles and Engines. The Separation Cost consist of assembly fees, compensation, retrenchment cost and purchase price for certain assembly equipment. In addition to the Separation Cost, DCM will also pay the per unit assembly fee based on the agreed rate per Vehicles and Engines for vehicles to be assembled prior to cessation.
- (ii) The Assembly Agreements have been terminated on 30 June and 31 July 2005 for Srisari and AAI, respectively, whereupon the assembly works for the Engines and Vehicles ceased in July and August 2005, respectively.
- (iii) The Separation Cost were paid in instalments on dates agreed between the parties, with the final instalment due on 31 July 2005.

The results attributable to the discontinued assembling operations during the year were as follows:

	Group	
	2006 RM'000	2005 RM'000
Revenue	0	51,499
Expenses excluding finance cost and tax	619	(51,996)
Compensation received on cessation of assembly operations:		
– early separation	0	1,800
– subsidy for retrenchment cost	0	1,300
Gain on disposal of plant and equipment	0	766
Operating profit	619	3,369
Write back for retrenchment benefit	0	210
Profit before tax	619	3,579
Tax expense	0	(752)
Profit after tax	619	2,827

The cash flows attributable to the discontinued assembling operations during the year were as follows:

	Group	
	2006 RM'000	2005 RM'000
Operating activities	(459)	(400)
Investing activities – proceeds from disposal of equipment	0	762
Net cash flows	(459)	362

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 8 Discontinued Operations and Non-current Assets Held for Sale (continued)

#### (II) Non-current Assets Held for Sale

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment	7,871	0	7,871	0
At 1 January	0	0	0	0
Transfer from property, plant and equipment (Note 12)	45,438	0	45,438	0
Transfer from investment properties (Note 13)	7,075	0	7,075	0
Disposals	(44,642)	0	(44,642)	0
At 31 December	7,871	0	7,871	0

A total of 11 properties, which comprise vehicle showrooms, assembly plants, offices, storage yard and vacant site held within the automotive segment, have been presented as held for sale following the approval of the Group's board of directors.

During the year, the sales of 9 properties were completed through either outright sales, or sales and operating leaseback arrangements. The sales of the 2 remaining properties as at 31 December 2006 are expected to complete by December 2007. The directors have assessed the value of these two properties by reference to firm offers to purchase given by third parties.

### 9 Profit for the Year

#### (a) Expenses by nature:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Defined contribution pension plan	4,300	4,442	3,074	2,816
Salaries, bonus and other employee benefits costs	37,268	40,514	27,315	26,334
Expatriate expenses	3,995	4,398	4,180	3,640
Write down of inventories	2,719	3,821	1,267	2,366
Reversal of inventories write down	(2,661)	(2,361)	(1,577)	(1,457)
Costs of inventories/materials/consumables	550,615	659,823	442,578	443,799
Demonstration expenses	5,580	5,756	5,580	5,756
Depreciation	6,358	7,147	5,461	5,413
Utilities	1,993	2,618	1,913	2,355
Repairs and maintenance	4,625	2,945	4,128	2,124
Delivery, packing and travelling	2,677	2,511	1,153	933
Advertising, marketing and promotion	7,389	7,212	5,767	4,934
Leasing of equipments	936	942	814	811
Directors' fees	602	647	602	647
Auditors' remuneration @	507	417	371	272
Credit card charges	502	454	439	398
Printing and stationery	973	924	718	588
Company car expenses	922	879	708	677
Legal fees	229	281	200	167
Security guard expenses	1,928	1,974	1,436	1,066
Professional fees	781	474	716	382
Revaluation deficits	573	0	2,830	0
Provision/(write back) for retrenchment/voluntary separation benefit	1,346	125	1,000	(116)
Write down on short term investment	344	689	344	689
Diminution in value for investment in a subsidiary company	0	0	5,292	0
Write back of loss in a subsidiary company	0	0	(635)	(2,700)
Rent for land and buildings	2,993	1,851	2,359	1,137
Diminution in value for investment in an associated company	0	0	0	3,857
Other expenses	8,494	7,027	4,470	3,311
Total expenses*	645,988	755,510	522,503	510,199

\* Total expenses consist of cost of sales, selling and distribution costs, administrative expenses and other operating expenses arising from continuing and discontinued operations.

## 9 Profit for the Year (continued)

@ The following information relates to remuneration of auditors of the Group and the Company during the financial year:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>PricewaterhouseCoopers Malaysia</b>				
Statutory audit	292	277	187	170
Fees for other services:				
– non-statutory audit related services	153	45	153	45
– tax advisory and compliance work	62	95	31	57
Total remuneration	507	417	371	272

(b) The following amounts have been credited in arriving at profit for the year:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross return from DaimlerChrysler Malaysia Sdn Bhd	15,382	19,962	15,382	19,962
Dividends income from:				
– investment in a subsidiary company	0	0	3,475	0
– investment in an associated company	0	0	0	5,355
– investment in unquoted shares	0	113	0	0
Gain on disposal of:				
– property, plant and equipment (Note 29)	42,047	950	42,018	209
Rental income from owner occupied properties	157	81	1,740	2,541
Interest income	339	228	324	207
Compensation received on cessation of assembly under the separation agreement:				
– early separation	0	1,800	0	0
– subsidy for retrenchment cost	0	1,300	0	0
Income for allowing renovation during tenancy of properties pending completion of disposal	0	700	0	700

## 10 Dividends

Dividends declared or proposed in respect of the financial years ended 31 December 2005 and 2006 are as follows:

	Group and Company			
	2006		2005	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend paid	5	3,627	5	3,627
Special dividend paid	203	147,248	0	0
Final dividend proposed	5	3,677	10	7,254
	213	154,552	15	10,881

At the forthcoming Annual General Meeting on 10 May 2007, a final gross dividend in respect of the financial year ended 31 December 2006 of 5 sen per share (2005: 10 sen per share), less income tax, amounting to RM3,677,000 (2005: RM7,254,000) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for as an appropriation of retained profits and accrued as a liability in the financial year ending 31 December 2007 when approved by shareholders of the Company.

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 11 Earnings per Share

Basic earnings per share is calculated by dividing the Group profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2006	2005
Profit for the year attributable to equity holders of the Company (RM'000)	45,696	23,908
Weighted average number of ordinary shares in issue ('000)	100,745	100,745
Basic earnings per share (sen)	45.4	23.7
Profit attributable to equity holders of the Company from continuing operations (RM'000)	44,702	20,897
Basic earnings per share from continuing operations (sen)	44.4	20.7

No diluted EPS is computed for the Group as there is no dilutive potential ordinary shares in issue.

### 12 Property, Plant and Equipment

Group	Land		Buildings RM'000	Plant and machinery RM'000	Motor vehicles, equipment and fixtures RM'000	Assets under construction RM'000	Total RM'000
	Freehold RM'000	Leasehold RM'000					
<b>2006</b>							
Net book value at 1 January	26,886	36,024	36,559	1,452	7,015	28,356	136,292
Revaluation surplus (Note 4 (II))	12,171	0	3,961	0	0	0	16,132
Revaluation deficits	(703)	0	(75)	0	0	0	(778)
Reclassification	421	1,322	22,753	1,200	7,246	(32,942)	0
Additions	306	95	2,988	584	4,003	5,450	13,426
Disposals	0	0	0	(282)	(807)	0	(1,089)
Depreciation charge	0	(320)	(1,901)	(733)	(3,404)	0	(6,358)
Transfer to investment properties (Note 13)	(230)	(7,763)	(52)	0	0	0	(8,045)
Transfer to non-current assets held for sale (Note 8(II))	(2,848)	(16,059)	(26,531)	0	0	0	(45,438)
Net book value at 31 December	36,003	13,299	37,702	2,221	14,053	864	104,142
At cost	0	15,456	0	10,785	29,631	864	56,736
At valuation	36,003	0	40,183	0	0	0	76,186
Accumulated depreciation	0	(2,157)	(2,481)	(8,564)	(15,578)	0	(28,780)
Net book value at 31 December	36,003	13,299	37,702	2,221	14,053	864	104,142

## 12 Property, Plant and Equipment (continued)

Group	Land		Buildings	Plant and machinery	Motor vehicles, equipment and fixtures	Assets under construction	Total
	Freehold	Leasehold					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2005</b>							
Net book value at 1 January	26,886	36,620	41,806	2,429	8,596	0	116,337
Reclassification	0	0	(2,782)	0	0	2,782	0
Additions	0	0	0	173	1,897	25,574	27,644
Disposals	0	0	0	(198)	(344)	0	(542)
Depreciation charge	0	(596)	(2,465)	(952)	(3,134)	0	(7,147)
Net book value at 31 December	26,886	36,024	36,559	1,452	7,015	28,356	136,292
Cost	26,886	44,137	66,184	11,154	22,207	28,356	198,924
Accumulated depreciation	0	(8,113)	(29,625)	(9,702)	(15,192)	0	(62,632)
Net book value at 31 December	26,886	36,024	36,559	1,452	7,015	28,356	136,292
<b>Company</b>							
<b>2006</b>							
Net book value at 1 January	28,639	37,879	37,851	842	5,303	28,356	138,870
Revaluation surplus (Note 4 (II))	11,007	0	3,897	0	0	0	14,904
Revaluation deficits	(1,402)	0	(1,428)	0	0	0	(2,830)
Reclassification	421	1,322	22,753	1,200	7,246	(32,942)	0
Additions	306	95	2,988	532	3,013	5,450	12,384
Disposals	0	0	0	(277)	(688)	0	(965)
Depreciation charge	0	(320)	(1,703)	(564)	(2,874)	0	(5,461)
Transfer to investment properties (Note 13)	(120)	(7,763)	(125)	0	0	0	(8,008)
Transfer to non-current assets held for sale (Note 8(II))	(2,848)	(16,059)	(26,531)	0	0	0	(45,438)
Net book value at 31 December	36,003	15,154	37,702	1,733	12,000	864	103,456
At cost	0	17,247	0	7,244	24,462	864	49,817
At valuation	36,003	0	39,069	0	0	0	75,072
Accumulated depreciation	0	(2,093)	(1,367)	(5,511)	(12,462)	0	(21,433)
Net book value at 31 December	36,003	15,154	37,702	1,733	12,000	864	103,456
<b>2005</b>							
Net book value at 1 January	28,639	38,475	42,880	1,374	6,050	0	117,418
Reclassification	0	0	(2,782)	0	0	2,782	0
Additions	0	0	0	133	1,458	25,574	27,165
Disposals	0	0	0	(164)	(136)	0	(300)
Depreciation charge	0	(596)	(2,247)	(501)	(2,069)	0	(5,413)
Net book value at 31 December	28,639	37,879	37,851	842	5,303	28,356	138,870
Cost	28,639	45,929	65,736	7,492	17,261	28,356	193,413
Accumulated depreciation	0	(8,050)	(27,885)	(6,650)	(11,958)	0	(54,543)
Net book value at 31 December	28,639	37,879	37,851	842	5,303	28,356	138,870

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 12 Property, Plant and Equipment (continued)

The analysis of leasehold land into long leasehold (unexpired term of more than 50 years) and short leasehold (unexpired term of less than 50 years) at the balance sheet date is as follows:

	Group					
	2006			2005		
	Long leasehold RM'000	Short leasehold RM'000	Total RM'000	Long leasehold RM'000	Short leasehold RM'000	Total RM'000
Cost	15,389	67	15,456	43,239	898	44,137
Accumulated depreciation	(2,124)	(33)	(2,157)	(7,717)	(396)	(8,113)
Net book value	13,265	34	13,299	35,522	502	36,024

	Company					
	2006			2005		
	Long leasehold RM'000	Short leasehold RM'000	Total RM'000	Long leasehold RM'000	Short leasehold RM'000	Total RM'000
Cost	17,180	67	17,247	45,031	898	45,929
Accumulated depreciation	(2,060)	(33)	(2,093)	(7,654)	(396)	(8,050)
Net book value	15,120	34	15,154	37,377	502	37,879

The Group's freehold land, freehold buildings and the building component of owner-occupied leasehold properties were last revalued at 1 January 2006 by independent, professionally qualified valuers. Valuations were made on the basis of open market value. The revaluation surpluses net of applicable deferred income taxes of RM15,045,000 and RM13,893,000 for the Group and Company respectively were credited to revaluation reserves in shareholders' equity.

If these assets were stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cost	73,422	93,070	74,165	94,375
Accumulated depreciation	(13,108)	(29,625)	(11,254)	(27,885)
Net book value	60,314	63,445	62,911	66,490

### 13 Investment Properties

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January	0	0	0	0
Transfer from property, plant and equipment (Note 12)	8,045	0	8,008	0
Deficit charged to opening retained earnings upon adoption of FRS 140 (Note 4(l)(d))	(970)	0	(933)	0
At 1 January 2006 as restated	7,075	0	7,075	0
Transfer to non-current assets held for sale (Note 8(II))	(7,075)	0	(7,075)	0
At 31 December	0	0	0	0

The valuations of the investment properties are conducted annually on 1 January by independent, professionally qualified valuers, on the basis of open market value.

The Group and Company have recognised rental income of RM3,000 (2005: Nil) in the income statement.

#### 14 Investments in Subsidiary Companies

	Company	
	2006 RM'000	2005 RM'000
Unquoted investments at cost	55,653	53,153
Less: Allowance for accumulated impairment losses	(19,843)	(14,551)
	<b>35,810</b>	<b>38,602</b>

A list of subsidiary companies is set out in Note 30.

#### 15 Investment in an Associated Company

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted investment at cost	112,732	112,732	112,732	112,732
Less: Allowance for accumulated impairment losses	0	0	(27,754)	(27,754)
Less: Interim capital distribution received	(78,035)	(69,755)	(78,035)	(69,755)
Less: Dividend from pre-acquisition profit	(6,126)	(6,126)	(6,126)	(6,126)
	<b>28,571</b>	<b>36,851</b>	<b>817</b>	<b>9,097</b>
Share of retained profits less accumulated losses and reserves of associated company	(20,786)	(20,762)	0	0
Less: Goodwill written off	(6,715)	(6,715)	0	0
Interest in associated company	<b>1,070</b>	<b>9,374</b>	<b>817</b>	<b>9,097</b>

The Group's share of the assets and liabilities and results of the associated company are summarised below:

	2006 RM'000	2005 RM'000
Non-current assets	0	6,000
Current assets	1,591	4,018
Current liabilities	(521)	(644)
Share of attributable net assets	<b>1,070</b>	<b>9,374</b>
(Loss)/profit after tax	<b>(27)</b>	<b>1,729</b>

The details of the associated company are set out in Note 30.

#### 16 Investment in Unquoted Shares

The investment in unquoted shares relate to the Company's investment in DaimlerChrysler Malaysia Sdn Bhd ("DCM"), a joint-venture company with DaimlerChrysler AG ("DCAG"). The Company subscribed for 49% of the shares in DCM, representing 66,003,000 Class B shares at a par value of RM 1 each, whilst DCAG subscribed for 51% of the shares in DCM representing 68,697,000 Class A shares at a par value of RM 1 each on 10 January 2003. The rights attached to the Class A and Class B shares are set out in the Articles and Memorandum of Association. The participation of the Company in DCM shall not entitle the Company to any veto rights or minority rights except for veto rights under the Malaysian Company law in relation to Class B shares, and accordingly these investments have been accounted for as simple investments instead of an associated company.

There are put and call options in respect of the Company's stake which are exercisable at any time after the fifth anniversary of the completion of the joint-venture.

For the period from January 2003 to December 2007, the Company is entitled to receive an annual net dividend income of RM11.2 million in respect of the investment in DCM. In the event that DCM is unable to declare such dividend in full, DCAG undertakes to pay the shortfall to the extent of RM11.2 million ("the minimum assured amount"). The amount receivable from DCAG will be subject to income tax and the Group will effectively receive the net income of RM8.2 million.

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 16 Investment in Unquoted Shares (continued)

From January 2008, the Company shall be entitled to receive an annual return based on, amongst others, the paid-up capital of the shares in DCM held by the Company and a margin above the annual yield on bonds issued by the Government of Malaysia.

For the year ended 31 December 2006, the Group has recognised a gross return on investment of RM15.4 million (2005: RM15.6 million). The directors are of the opinion that the entitlement to receive the return on investment from DCM is probable based on historical experience and as the Group has obtained confirmation from DCM that DCM is in a position to honour such payment for the financial year ended 31 December 2006, barring unforeseen circumstances.

The fair value of the investment in DCM at 31 December 2006 is RM86,552,000 (2005: RM88,420,000). In determining the fair value, the directors have discounted the future contractual cash flows from January 2007 to December 2007 at the Group's rate of return for similar investment, and on the assumption that the put or call options will be exercised at the end of the fifth anniversary.

### 17 Hire Purchase Receivables

	Group	
	2006 RM'000	2005 RM'000
Gross amount outstanding	258	1,479
Less: Unearned finance income	(7)	(51)
Allowance for doubtful debts	(2)	(27)
	(9)	(78)
	249	1,401
Gross amount outstanding:		
Receivable within one year	258	1,194
Receivable between one and five years	0	285
	258	1,479
Hire purchase receivables:		
Receivable within one year (Note 20)	249	1,123
Receivable between one and five years	0	278
	249	1,401

## 18 Deferred Taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	243	1,284	0	0
Deferred tax liabilities	(2,344)	(2,179)	(2,287)	(2,179)
	(2,101)	(895)	(2,287)	(2,179)
At the start of the year	(895)	2,115	(2,179)	454
Credited/(charged) to income statement:				
– property, plant and equipment	918	(786)	930	(671)
– provisions	(104)	(676)	(115)	(935)
– allowance for stocks	(1,270)	392	(362)	165
– accrued income	214	(1,223)	214	(1,223)
– others	104	(717)	236	31
	(138)	(3,010)	903	(2,633)
Charged to equity:				
– property, plant and equipment	(1,068)	0	(1,011)	0
At end of the year	(2,101)	(895)	(2,287)	(2,179)
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	0	44	0	0
Provisions	986	1,090	717	832
Allowance for stocks	977	2,247	989	1,351
Others	1,240	1,136	1,199	963
	3,203	4,517	2,905	3,146
Offsetting	(2,960)	(3,233)	(2,905)	(3,146)
Deferred tax assets (after offsetting)	243	1,284	0	0
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	1,151	1,045	1,039	958
Accrued income	4,153	4,367	4,153	4,367
	5,304	5,412	5,192	5,325
Offsetting	(2,960)	(3,233)	(2,905)	(3,146)
Deferred tax liabilities (after offsetting)	2,344	2,179	2,287	2,179

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset are recognised in the balance sheet are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deductible temporary differences	4,798	603	0	0
Tax losses	20,536	19,565	0	0

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 19 Inventories

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Production supplies including completely-knocked-down vehicles	1,135	8,581	1,135	8,926
Work-in-progress	47	1,519	47	830
Finished goods	174,556	226,894	131,702	181,868
	<b>175,738</b>	<b>236,994</b>	<b>132,884</b>	<b>191,624</b>

The Group and Company reversed RM2,661,000 and RM1,577,000 (2005: RM2,361,000 and RM1,457,000) respectively in respect of part of inventory write down made in prior years that were subsequently not required as the Group and Company were able to sell these inventories at above their carrying amounts.

### 20 Trade and Other Receivables

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	100,657	102,832	83,149	84,123
Less: Allowance for doubtful debts	(16,137)	(16,476)	(15,760)	(15,998)
	<b>84,520</b>	<b>86,356</b>	<b>67,389</b>	<b>68,125</b>
Warranty claims receivables	2,773	3,333	2,239	2,708
Less: Allowance for doubtful debts	(1,310)	(1,034)	(1,174)	(904)
	<b>1,463</b>	<b>2,299</b>	<b>1,065</b>	<b>1,804</b>
Deposits	2,433	691	2,259	461
Prepayments	1,028	1,059	29	57
Hire purchase receivables (Note 17)	249	1,123	0	0
Tax recoverable	2,779	13,678	1,605	12,381
	<b>92,472</b>	<b>105,206</b>	<b>72,347</b>	<b>82,828</b>

Credit terms of trade receivables range from 30 to 90 days.

Concentrations of credit risk with respect to trade receivables are limited as the more significant debts are partially backed up by bank guarantees and their payment track records. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

### 21 Short Term Investment

	Group and Company	
	2006 RM'000	2005 RM'000
Shares in corporation quoted in Malaysia – at cost	3,352	3,352
Less: Amount written-down	(2,778)	(2,434)
	<b>574</b>	<b>918</b>
Market value of shares in corporation quoted in Malaysia	574	918

The market value at the balance sheet date of these investments approximated the fair values.

## 22 Amounts Due from/(to) Subsidiary Companies

	Company	
	2006 RM'000	2005 RM'000
Amounts due from subsidiary companies	47,411	39,304
Less: Allowance for amount due from a subsidiary company	(8,521)	(8,378)
	<b>38,890</b>	<b>30,926</b>
Amounts due to subsidiary companies	<b>(23,940)</b>	<b>(13,718)</b>

The amounts due from/(to) subsidiary companies are unsecured, interest free and have no fixed repayment terms.

## 23 Cash and Cash Equivalents

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Bank and cash balances	23,912	14,040	19,731	3,459
Bank overdrafts (Note 26)	(139)	0	(139)	0
	<b>23,773</b>	<b>14,040</b>	<b>19,592</b>	<b>3,459</b>

Bank and cash balances are denominated in Ringgit Malaysia. The bank balances are placed in current accounts with major licensed banks in Malaysia.

The weighted average annual interest rate that were effective as at the balance sheet date were as follows:

	Group and Company	
	2006 % per annum	2005 % per annum
Bank and cash balances	2.60	2.30

## 24 Provisions for Liabilities and Charges

Group	Service and warranty RM'000	Retrenchment/ voluntary separation benefit RM'000	Others RM'000	Total RM'000
Additional provisions	3,020	0	10	3,030
Unused amounts reversed	(956)	(210)	0	(1,166)
Charged to income statement	2,064	(210)	10	1,864
Utilised during the year	(2,169)	(6,790)	0	(8,959)
At 31 December 2005	2,698	0	160	2,858
At 1 January 2006	2,698	0	160	2,858
Additional provisions	999	1,346	105	2,450
Unused amounts reversed	(563)	0	0	(563)
Charged to income statement	436	1,346	105	1,887
Utilised during the year	(1,057)	(346)	0	(1,403)
At 31 December 2006	2,077	1,000	265	3,342

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 24 Provisions for Liabilities and Charges (continued)

Company	Service and warranty RM'000	Retrenchment/ voluntary separation benefit RM'000	Others RM'000	Total RM'000
At 1 January 2005	2,140	0	150	2,290
Additional provisions	2,892	0	10	2,902
Unused amounts reversed	(956)	0	0	(956)
Charged to income statement	1,936	0	10	1,946
Utilised during the year	(2,169)	0	0	(2,169)
At 31 December 2005	1,907	0	160	2,067
At 1 January 2006	1,907	0	160	2,067
Additional provisions	926	1,000	105	2,031
Unused amounts reversed	(563)	0	0	(563)
Charged to income statement	363	1,000	105	1,468
Utilised during the year	(1,055)	0	0	(1,055)
At 31 December 2006	1,215	1,000	265	2,480

#### Service and warranty

The Group and Company provide service and warranties on vehicles sold under specific warranty terms. A provision is made for expected warranty claims based on past service histories or potential obligation to maintain brand image.

#### Retrenchment/voluntary separation benefit

As a result of early termination of assembly contracts entered into as disclosed in Note 8(b) and further restructuring undertaken to align the work force to the new business environment, the Group established a provision for retrenchment benefit. The provision is based on estimated costs required to compensate the redundant work force.

#### Others

Other provisions comprise provisions in respect of various legal claims arising from the ordinary course of business. The directors consider the disclosure of further details on those claims unnecessary due to the immaterial amount attributable to each claim.

### 25 Trade and Other Payables

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	19,364	34,124	15,630	23,896
Trade accruals	19,533	19,680	16,109	15,504
	<b>38,897</b>	<b>53,804</b>	<b>31,739</b>	<b>39,400</b>

Credit terms of trade payables granted to the Group and Company vary from 30 to 90 days. All trade payables and accruals are denominated in Ringgit Malaysia.

The Group's exposure to fluctuation in foreign currency are limited due to the forward contracts entered into by the Group as disclosed in Note 33.

## 26 Borrowings (Unsecured)

	Group and Company	
	2006 RM'000	2005 RM'000
<b>Current</b>		
Revolving credits	140,000	94,718
Bankers acceptance	0	30,482
Bank overdrafts (Note 23)	139	0
	<b>140,139</b>	<b>125,200</b>

Contractual terms of borrowings are as follows:

Group and Company	Contractual interest rates at balance sheet date (per annum)	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000
<b>2006</b>				
<b>Unsecured</b>				
Revolving credits	4.29% – 4.5%	RM	140,000	140,000
Bank overdrafts	7.25%	RM	139	139
<b>2005</b>				
<b>Unsecured</b>				
Revolving credits	3.3% – 3.8%	RM	94,718	94,718
Bankers acceptance	2.95% – 3.5%	RM	30,482	30,482

## 27 Share Capital

	Group and Company			
	2006		2005	
	'000	RM'000	'000	RM'000
<b>Ordinary shares of RM 1 each</b>				
Authorised:				
At 1 January/31 December	200,000	200,000	200,000	200,000
Issued and fully paid-up:				
At 1 January/31 December	100,745	100,745	100,745	100,745

## 28 Retained Profits

There are sufficient Malaysian (Section 108) tax credits to frank all the retained profits of the Company at 31 December 2006 if paid out as dividends.

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 29 Cash Flow from Operations

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit for the year	45,696	23,908	43,193	16,842
Adjustments for:				
Property, plant and equipment:				
– depreciation (Note 12)	6,358	7,147	5,461	5,413
– gains on disposal (Note 9)	(42,047)	(950)	(42,018)	(209)
Revaluation deficits (Note 9)	573	0	2,830	0
Interest income (Note 9)	(339)	(228)	(324)	(207)
Finance cost	2,329	2,872	2,329	2,872
Provisions	541	2,074	468	1,945
Write down on short term investment (Note 9)	344	689	344	689
Diminution in value for investment in an associated company (Note 9)	0	0	0	3,857
Provision/(write back) of retrenchment benefit	1,346	(210)	1,000	0
Diminution in value for investment in a subsidiary company (Note 9)	0	0	5,292	0
Dividends (gross) from investments (Note 9)	0	(113)	(3,475)	(5,355)
Gross return on investment in DCM (Note 9)	(15,382)	(19,962)	(15,382)	(19,962)
Share of results of an associated company	(23)	(2,292)	0	0
Tax expense	6,162	9,520	5,303	8,053
	(40,138)	(1,453)	(38,172)	(2,904)
	5,558	22,455	5,021	13,938
Changes in working capital:				
Inventories	61,256	(34,643)	58,740	(41,424)
Receivables	4,526	(18,125)	2,115	(20,765)
Payables	(16,686)	(12,213)	(9,440)	(2,125)
Associated company's balances	11	(78)	11	(77)
Subsidiary companies' balances	0	0	2,258	(3,580)
	49,107	(65,059)	53,684	(67,971)
Net cash flow from operations	54,665	(42,604)	58,705	(54,033)

### 30 Subsidiary and Associated Companies

The subsidiary and associated companies, which are all incorporated in Malaysia, are detailed below:

	Issued capital RM'000	Group's share		Principal activities
		2006 %	2005 %	
<b>Subsidiary companies</b>				
Ipoh Motors Sdn Berhad	1,710	100	100	Retailing of motor vehicles, sales of spare parts, servicing of vehicles and business of an insurance agent.
Hercules Automotive Engineers Sendirian Berhad	200	100	100	Fitting of motor vehicle accessories.
Asia Automobile Industries Sendirian Berhad	4,400	100	100	Assembly of motor vehicles. The Company ceased assembly in year 2005 and remain dormant (see Note 8(b)).
Srisari Sdn. Bhd.	0*	100	100	Assembly of engines. The Company ceased assembly in year 2005 and remain dormant (see Note 8(b)).
Cycle & Carriage Automobiles Sendirian Berhad	5,000	100	100	Distribution and retailing of motor vehicles, sales of spare parts and servicing of vehicles.
Cycle & Carriage (Malaysia) Sdn Berhad	31,000	100	100	Retailing of motor vehicles, sales of spare parts, provision of after-sales services and hire purchase financing.
Cycle & Carriage Parts and Accessories Sdn Bhd	2,500	100	0	Distribution and sales of spare parts.
Cycle & Carriage Motors Sdn Bhd	0*	100	0	The Company has not commenced operations.
<b>Associated company</b>				
CCL Group Properties Sdn Berhad #	149,160	40	40	Property investment.

\* Issued share capital of RM2

# Under members voluntary liquidation

### 31 Gain on Disposal of Properties

	Group and Company	
	2006 RM'000	2005 RM'000
Leasehold and freehold properties	42,027	0
Investment property	(6)	0
	42,021	0

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 32 Significant Related Party Disclosures

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions and balances.

The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>(a) With an associated company:</b>				
Receipt of payment for IT services	18	27	18	27
Receipt of payment for rental and utilities	5	104	5	104
Dividend income (gross)	0	0	0	5,355
Dividend from pre-acquisition profit	0	0	0	6,126
Interim capital distribution	8,280	69,755	8,280	69,755
Rent for land and buildings	(59)	(352)	(59)	(352)
<b>(b) With directors/companies related to directors:</b>				
Sales of motor vehicles and parts to:				
– PECD Construction Sdn Bhd	482	0	482	0
– HSBC Bank Malaysia Berhad	262	0	262	0
– LCL Corporation Berhad	0	442	0	442
– Malaysia Building Society Bhd	0	364	0	364
– Tan Sri Abdul Rashid Hussain	0	775	0	775
Sales of after-sales services to:				
– Malakoff Berhad	63	0	63	0
– Multimedia Development Corporation Sdn Bhd	67	0	67	0
Purchase of lubricants from ESSO Malaysia Berhad	0	(111)	0	(111)
Payment of hotel accommodation, banquet and meeting package to Hyatt Regency Saujana	(27)	(29)	(27)	(29)
Purchase of F1 tickets from Sepang International Circuit Sdn Bhd	(16)	(17)	(16)	(17)
Purchase of advertising and sponsorship services from Saujana Resort (M) Berhad	(120)	(90)	(120)	(90)
Payment of golf tournament expenses to Saujana Resort (M) Berhad	0	(32)	0	0
Trade-in of vehicle from Tan Sri Abdul Rashid Hussain	0	(110)	0	(110)

### 32 Significant Related Party Disclosures (continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(c) With substantial shareholders and companies related to substantial shareholders:				
Sales of motor vehicles and parts to:				
– Antah Schindler Sdn Bhd	354	0	354	0
– Diplomat Parts Pte Ltd	83	0	0	0
– Rothschild Malaysia Sdn Bhd	0	435	0	435
Receipt of management service fees from Azaminat Sdn Bhd	5	0	5	0
Receipt of finance commission from EON Finance Berhad	0	111	0	0
Purchase of goods and parts from Edaran Otomobil Nasional Berhad	(1,395)	(14,968)	0	0
Payment to Jardine Cycle & Carriage Limited:				
– management service	(419)	(504)	(419)	(504)
– group internal audit	0	(193)	0	(193)
Payment to Cycle & Carriage Industries Pte Limited:				
– HR services	(70)	0	(70)	0
– IT services	(48)	0	(48)	0
Payment of hotel banquet and meeting package to:				
– Concorde Hotel	(17)	(14)	(17)	(14)
– Mandarin Oriental Kuala Lumpur	(17)	0	(15)	0
Payment of insurance premiums to Jardine Lloyd Thompson Sdn Bhd	(453)	(601)	(348)	(437)
Purchase of parts from:				
– CCL Indo-China Investments Pte Limited	(2,334)	(246)	0	0
– PT Astra Otoparts Tbk	(328)	0	0	0
Payment of computer software and peripherals to Jardine OneSolution (2001) Sdn Bhd	(1,465)	(828)	(1,440)	(775)
Payment of Naza 206 equipment to PT Astra France Motor	0	(997)	0	0
Payment to Jardine Matheson & Co., Ltd:				
– consultancy and course fees	(52)	(21)	(52)	(21)
– group internal audit	(416)	0	(416)	0
(d) With principal officers:				
Sale of motor vehicle to Lee Chee Keong	105	0	105	0

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 32 Significant Related Party Disclosures (continued)

Relationships with the above related parties are as follows:

Related party	Relationship
Edaran Otomobil Nasional Berhad and EON Finance Berhad	Companies in which Jardine Matheson Holdings Limited, the ultimate holding company of the Company has an interest.
Saujana Resort (M) Berhad and Hyatt Regency Saujana	Companies in which Datuk Hassan Abas, a director of the Company has an interest via the Saujana group of companies.
PECD Construction Sdn Bhd	A company in which Datuk Hassan Abas, a director of the Company is also a director.
Sepang International Circuit Sdn Bhd	A company in which Datuk Hassan Abas and Syed Zaid bin Syed Jaffar Albar, directors of the Company are also directors.
LCL Corporation Berhad, Esso Malaysia Berhad, Malakoff Berhad and Multimedia Development Corporation Sdn Bhd	Companies in which Tan Sri Abdul Halim bin Ali, the Chairman of the Company is also a director.
Malaysia Building Society Berhad	A company in which Tan Sri Abdul Halim bin Ali and Syed Zaid bin Syed Jaffar Albar, the Chairman and a director of the Company are also directors.
HSBC Bank Malaysia Berhad	A company in which Dato' Sulaiman bin Sujak, a director of the Company is also a director.
Jardine Cycle & Carriage Limited	The holding company of the Company.
CCL Indo-China Investments Pte Limited, PT Astra France Motor, PT Astra Otoparts Tbk, Cycle & Carriage Industries Pte Limited, Diplomat Parts Pte Ltd, Azaminat Sdn Bhd and Concorde Hotel	Subsidiary and associated companies of Jardine Cycle & Carriage Limited, the holding company of the Company.
Jardine Matheson & Co., Ltd, Jardine OneSolution (2001) Sdn Bhd, Jardine Lloyd Thompson Sdn Bhd, Antah Schindler Sdn Bhd, Mandarin Oriental Kuala Lumpur and Rothschild Malaysia Sdn Bhd	Companies related to Jardine Matheson Holdings Limited, the ultimate holding company of the Company.
Tan Sri Abdul Rashid Hussain	A director and the Chairman of the Audit Committee and the Nomination Committee of the Company and the Group.
Lee Chee Keong	A General Manager of Cycle & Carriage Parts and Accessories Sdn Bhd, a wholly owned subsidiary of the Company.

Outstanding balances with the above related parties arose from normal trade transactions during the financial year.

### 33 Financial Instruments

In applying the Group's risk management strategy, the Group manages its exposure to foreign currency rate movements through the use of foreign currency forward contracts with creditworthy financial institutions. In general, the Group's policy is to enter into foreign currency forward contracts for foreign currency liabilities related to purchase of stocks based on confirmed orders.

There were no open forward contract at the financial year end. The local currency amounts to be paid and contractual exchange rates of the outstanding contract in 2005 was as follows:

	Group and Company	
	2006	2005
	RM'000	RM'000
Japanese Yen		
(2005: at rates averaging Yen 100 = RM3.2410)	0	1,945
Fair value at 31 December (2005: unfavourable net position of)	0	(17)

The carrying amounts of other financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values.

### 34 Contingent Liabilities (Unsecured)

- At 31 December 2006, the Group and Company had contingent liabilities in respect of various legal claims against the Company amounting to RM4,128,000 (2005: RM3,970,000). After taking appropriate legal advice, the directors are of the opinion that the outcome of such actions is unlikely to give rise to any significant loss to the Group and Company.
- At 31 December 2006, the Group and Company had contingent liabilities in respect of recognition of "years of service" in the Company in the event of a "retrenchment or closure exercise" by DaimlerChrysler Malaysia Sdn Bhd ("DCM") in respect of those former employees who opted to join DCM amounting to RM3,500,000 (2005: RM4,000,000)
- At 31 December 2006, the Group and the Company had contingent liabilities in respect of recognition of "years of service" in the Company in the event of a "retrenchment or closure exercise" by Si Khiong in respect of those former employees who opted to join Si Khiong amounting to RM800,000 (2005: RM1,000,000).

If these employees are retrenched due to the closure and cessation of business by Si Khiong within 10 years after the completion of the business and asset transfer from CCB Kuching Branch to Si Khiong, CCB is liable for the cost of retrenchment in respect of period of employment under CCB.

- In 1997, the Company supplied units of bus chasis to Transit Link Sdn Bhd ("Transit Link") and was paid by Transit Link's appointed bus body builder, Hup Lee Coachbuilders Holdings Sdn Bhd ("Hup Lee").

On 10 February 2004, Hup Lee served a Writ of Summons on the Company after an earlier Originating Summons on the same matter was dismissed. In the Writ, Hup Lee is seeking the return of the monies it paid to the Company alleging wrongful payment of RM8 million plus accrued interest. The Company filed its defence on 2 March 2004 and is currently appealing against the dismissal of its earlier application to strike out the claim. Based on legal advice, the directors believe that the Company has a reasonable chance of succeeding in its appeal and striking off Hup Lee's action and accordingly, no provision has been made in the financial statements for this claim.

- In August and September 2006, the Custom authorities wrote to the Company's wholly owned subsidiary, Asia Automobile Industries Sendirian Berhad, requesting proof of payment of excise duties for 267 units of vehicles covering the year 1995 to 2002, estimated at RM22 million. About RM18 million of receipts for payments have been traced and RM4 million of receipts for payments are pending extraction by branches and previous dealers of the Company.

The management of the Company is of the view that evidence of payment of duty can be provided or a portion of the claim would be time barred and as such there should be minimal financial impact on the Group.

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 35 Segment Reporting

The activities of the Group are conducted within Malaysia as shown in the following business segments:

- Automobile industry – assembly, distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles.
- Investment – investment in DaimlerChrysler Malaysia Sdn Bhd.
- Other – property investment through an associated company, CCL Group Properties Sdn Berhad (under members voluntary liquidation).

#### Continuing Operations

2006	Automobile Industry RM'000	Investment RM'000	Other RM'000	Total RM'000
Revenue	640,574	0	0	640,574
Results:				
Segment results	37,623	15,382	0	53,005
Finance cost	(2,329)	0	0	(2,329)
Share of results of an associated company	0	0	(27)	(27)
				50,649
Tax expense (Note 7)				(5,947)
Net profit				44,702

#### At 31 December 2006

Net assets:				
Segment assets	382,963	81,385	0	464,348
Investment in an associated company	0	0	1,070	1,070
Unallocated assets				2,926
				468,344
Segment liabilities	181,470	0	0	181,470
Unallocated liabilities				2,352
				183,822
Other information:				
Capital expenditure	13,426	0	0	13,426
Depreciation	6,358	0	0	6,358

#### Discontinued Operations

##### 2006

Revenue	0	0	0	0
Results:				
Segment results	1,159	0	0	1,159
Tax expense (Note 7)				(165)
Net profit (Note 8(l))				994

#### At 31 December 2006

Net assets:				
Segment assets	3,689	0	0	3,689
Segment liabilities	908	0	0	908
Other information:				
Capital expenditure	0	0	0	0
Depreciation	0	0	0	0

### 35 Segment Reporting (continued)

#### Continuing Operations

2005	Automobile Industry RM'000	Investment RM'000	Other RM'000	Total RM'000
Revenue	709,183	0	0	709,183
<b>Results:</b>				
Segment results	10,208	19,962	0	30,170
Finance cost	(2,872)	0	0	(2,872)
Share of results of an associated company	0	0	1,729	1,729
				29,027
Tax expense (Note 7)				(8,130)
Net profit				20,897

At 31 December 2005

Net assets:

Segment assets	460,246	81,598	0	541,844
Investment in an associated company	0	0	9,374	9,374
Unallocated assets				14,866
				566,084
Segment liabilities	179,265	0	0	179,265
Unallocated liabilities				2,703
				181,968

Other information:

Capital expenditure	27,644	0	0	27,644
Depreciation	6,447	0	0	6,447

#### Discontinued Operations

2005

Revenue	51,499	0	0	51,499
<b>Results:</b>				
Segment results	3,838	0	0	3,838
Tax expense (Note 7)				(827)
Net profit (Note 8(l))				3,011

At 31 December 2005

Net assets:

Segment assets	4,324	0	0	4,324
Segment liabilities	2,597	0	0	2,597

Other information:

Capital expenditure	0	0	0	0
Depreciation	700	0	0	700

## Notes to the Financial Statements

For the financial year ended 31 December 2006

### 36 Commitments

#### (a) Capital commitments

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment				
– Approved and contracted	<b>3,931</b>	9,706	<b>3,884</b>	9,706
– Approved but not contracted	<b>2,104</b>	2,926	<b>2,102</b>	2,926
	<b>6,035</b>	12,632	<b>5,986</b>	12,632

#### (b) Operating lease commitments

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Not later than 1 year	<b>4,548</b>	724	<b>4,416</b>	585
Later than 1 year and not later than 5 years	<b>12,400</b>	60	<b>12,392</b>	41
Later than 5 years	<b>1,300</b>	0	<b>1,300</b>	0
	<b>18,248</b>	784	<b>18,108</b>	626

### 37 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2007.