

## **Statutory Financial Statements**

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## 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 2007.

### Principal Activities

The principal activities of the Group consist of the assembly, distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles. The principal activities of the Company consist of the distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles. The subsidiary involved in distribution and retailing of motor vehicles, sales of spare parts and servicing of vehicles under the Peugeot Marque has ceased its operations during the financial year. Apart from this, 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	20,033	25,800
Tax expense	(3,599)	(5,200)
Profit for the financial year from continuing operations	16,434	20,600
Loss for the financial year from discontinued operations	(8,990)	(2,665)
Profit attributable to equity holders	7,444	17,935

### Dividends

The dividends paid or declared by the Company since 31 December 2006 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006, as shown in the Directors' report for the year, final gross dividend of 5 sen per share on 100,744,500 ordinary shares, less income tax, paid on 22 June 2007	3,677
In respect of the financial year ended 31 December 2007: Interim gross dividend of 5 sen per share on 100,744,500 ordinary shares, less income tax, paid on 21 September 2007	3,677
	7,354

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 RM3,728,000 which subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 20 June 2008 to shareholders whose names appear in the Company's Register of Members and Record of Depositors on 30 May 2008.

### 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 Samsudin bin Osman	(appointed on 11.5.2007)
Tan Sri Abdul Halim bin Ali	(resigned on 10.5.2007)
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	
Cheah Kim Teck	
Chiew Sin Cheok	
Benjamin William Keswick	(appointed on 1.4.2007)
Adam Phillip Charles Keswick	(resigned on 31.3.2007)

In accordance with the Company's Articles of Association, Datuk Hassan Abas, Tan Sri Abdul Rashid Hussain, Syed Zaid bin Syed Jaffar Albar and Cheah Kim Teck 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 Samsudin bin Osman 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(c) 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 1.1.2007	Acquired	Sold	At 31.12.2007
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 1.1.2007	Acquired	Sold	At 31.12.2007
Shares in Jardine Cycle & Carriage Limited ("JCCL") held by:				
Cheah Kim Teck	11,001	101,680	(93,000)	19,681

## Directors' Report

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

	At 1.1.2007	Granted	Exercised	At 31.12.2007
Options in JCCL held by:				
Cheah Kim Teck	100,000	0	(100,000)	0

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

	At 1.1.2007/ date of appointment*	Acquired	Sold	At 31.12.2007
Shares in Jardine Matheson Holdings Limited ("JMHL") held by:				
Benjamin William Keswick	1,940,666*	37,371	0	1,978,037
Benjamin William Keswick #	28,131,216*	484,185	0	28,615,401
Benjamin William Keswick ^	0	7,389,964	0	7,389,964
Dato' Khalid bin Haji Ismail	0	25,000	(10,000)	15,000
Steven Gareth Foster	0	3,000	(3,000)	0

# Deemed interest in shares held by a discretionary family trust in which Benjamin William Keswick is a potential ultimate beneficiary.

^ Additional beneficial interests in shares held by various family trusts notified on behalf of Benjamin William Keswick.

At 31 December 2007, Benjamin William 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 1.1.2007/ date of appointment*	Granted	Exercised	At 31.12.2007
Options in JMHL held by:				
Dato' Khalid bin Haji Ismail	25,000	0	(25,000)	0
Benjamin William Keswick	300,000*	0	0	300,000
Steven Gareth Foster	13,000	0	(3,000)	10,000
Chiew Sin Cheok	0	20,000	0	20,000

### Number of ordinary shares of £0.05 each

	At date of appointment	Acquired	Sold	At 31.12.2007
Shares in Jardine Lloyd Thompson Group Plc held by:				
Benjamin William Keswick	1,349	0	0	1,349

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:

- (a) 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
- (b) 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 8, Note 9 and Note 17 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.

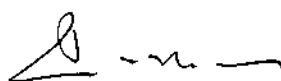
### Auditors

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 26 February 2008.



TAN SRI SAMSUDIN BIN OSMAN  
Director



TAN SRI ABDUL RASHID HUSSAIN  
Director

## Statement by Directors

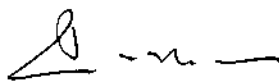
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Samsudin bin Osman 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 40 to 84 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 2007 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 26 February 2008.



TAN SRI SAMSUDIN BIN OSMAN  
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 40 to 84 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 : 26 February 2008

Before me :



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 40 to 84. 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:

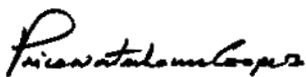
- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies 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 2007 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 (I))  
Partner of the firm

Kuala Lumpur  
26 February 2008

## Consolidated Income Statement

For the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000 Restated
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	630,354	600,398
Cost of sales		(556,865)	(532,902)
Gross profit		73,489	67,496
Other operating income			
– gain on disposal of properties	31	1,029	42,021
– income from investment		15,174	15,382
– others		6,061	2,087
Selling and distribution costs		(50,557)	(50,560)
Administrative expenses		(20,674)	(21,361)
Other operating expenses		(350)	(2,273)
OPERATING PROFIT		24,172	52,792
FINANCE COST – interest expense on borrowings		(4,156)	(2,329)
SHARE OF PROFIT/(LOSS) OF AN ASSOCIATED COMPANY		17	(27)
PROFIT BEFORE TAX		20,033	50,436
TAX EXPENSE	7	(3,599)	(5,321)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		16,434	45,115
<b>DISCONTINUED OPERATIONS</b>			
(LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	(8,990)	581
PROFIT FOR THE YEAR	9	7,444	45,696
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		7,444	45,696
Basic earnings per share attributable to the equity holders of the Company (sen):			
– profit for the year from continuing operations	11	16.3	44.8
– profit for the year	11	7.4	45.4

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

# Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 RM'000	2006 RM'000 Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	88,505	90,843
Leasehold land use rights	13	11,845	13,299
Investment in an associated company	16 & 30	527	1,070
Investment in unquoted shares	17	66,003	66,003
Deferred tax assets	18	128	243
		<b>167,008</b>	<b>171,458</b>
<b>CURRENT ASSETS</b>			
Inventories	19	110,099	175,738
Trade and other receivables	20	90,886	92,472
Amounts due from an associated company		0	8
Short term investment	21	0	574
Bank and cash balances	23	14,459	23,912
		<b>215,444</b>	<b>292,704</b>
Non-current assets held for sale	8	10,332	7,871
		<b>225,776</b>	<b>300,575</b>
<b>TOTAL ASSETS</b>		<b>392,784</b>	<b>472,033</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	18	1,325	2,344
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	24	2,968	3,342
Trade and other payables	25	41,921	38,897
Borrowings (unsecured)	26	59,000	140,139
Taxation		0	8
		<b>103,889</b>	<b>182,386</b>
<b>TOTAL LIABILITIES</b>		<b>105,214</b>	<b>184,730</b>
<b>NET ASSETS</b>		<b>287,570</b>	<b>287,303</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		12,433	12,627
Retained profits		150,535	150,074
<b>TOTAL EQUITY</b>		<b>287,570</b>	<b>287,303</b>

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2007

	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	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	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

	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 2006	100,745	100,745	23,857	12,627	150,074	287,303
Deferred tax liability no longer required in view of the Real Property Gains Tax exemption	0	0	0	600	0	600
Revaluation deficit on property, plant and equipment during the financial year	0	0	0	(423)	0	(423)
Realisation of revaluation surplus on disposal of property, plant and equipment	0	0	0	(371)	371	0
(Loss)/income recognised directly in equity	0	0	0	(194)	371	177
Profit for the year	0	0	0	0	7,444	7,444
Total (loss)/income for the year	0	0	0	(194)	7,815	7,621
Dividends for the financial year ended:						
– 31 December 2006	0	0	0	0	(3,677)	(3,677)
– 31 December 2007	0	0	0	0	(3,677)	(3,677)
At 31 December 2007	100,745	100,745	23,857	12,433	150,535	287,570

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operations	29	74,461	54,665
Interest paid		(4,423)	(1,860)
Interest received		368	339
Taxation (paid)/refunded		(429)	10,085
Retrenchment/voluntary separation benefit paid		(1,002)	(346)
Warranty and other provision utilised		(537)	(1,057)
		(6,023)	7,161
Net cash flow from operating activities		68,438	61,826
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		5,260	85,153
Proceeds from disposal of short term investment		2,020	0
Purchase of property, plant and equipment		(8,467)	(13,426)
Interim capital distribution from an associated company		560	8,280
Dividends received		11,229	11,229
Net cash flow from investing activities		10,602	91,236
<b>FINANCING ACTIVITIES</b>			
Revolving credits and bankers acceptance		(81,000)	14,800
Dividends paid		(7,354)	(158,129)
Net cash flow from financing activities		(88,354)	(143,329)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(9,314)	9,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		23,773	14,040
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	23	14,459	23,773

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

## Company Income Statement

For the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	535,773	509,674
Cost of sales		(476,067)	(455,849)
Gross profit		59,706	53,825
Other operating income			
– gain on disposal of properties	31	1,029	42,021
– income from investment		15,174	15,382
– dividend income from subsidiary companies		6,864	3,475
– others		5,176	2,765
Selling and distribution costs		(35,339)	(38,902)
Administrative expenses		(17,926)	(19,450)
Other operating expenses		(4,728)	(8,831)
OPERATING PROFIT		29,956	50,285
FINANCE COST – interest expense on borrowings		(4,156)	(2,329)
PROFIT BEFORE TAX		25,800	47,956
TAX EXPENSE	7	(5,200)	(5,138)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		20,600	42,818
<b>DISCONTINUED OPERATIONS</b>			
(LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	(2,665)	375
PROFIT FOR THE YEAR	9	17,935	43,193

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

# Company Balance Sheet

As at 31 December 2007

	Note	2007 RM'000	2006 RM'000 Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	86,105	88,302
Leasehold land use rights	13	13,700	15,154
Investments in subsidiary companies	15 & 30	32,045	35,810
Investment in an associated company	16 & 30	257	817
Investment in unquoted shares	17	66,003	66,003
		<b>198,110</b>	<b>206,086</b>
<b>CURRENT ASSETS</b>			
Inventories	19	80,027	132,884
Trade and other receivables	20	69,942	72,347
Short term investment	21	0	574
Amounts due from subsidiary companies	22	37,916	38,890
Amount due from an associated company		0	7
Bank and cash balances	23	10,816	19,731
		<b>198,701</b>	<b>264,433</b>
Non-current assets held for sale	8	10,332	7,871
		<b>209,033</b>	<b>272,304</b>
<b>TOTAL ASSETS</b>		<b>407,143</b>	<b>478,390</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	18	1,317	2,287
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	24	2,767	2,480
Trade and other payables	25	34,685	31,739
Amounts due to subsidiary companies	22	20,861	23,940
Borrowings (unsecured)	26	59,000	140,139
		<b>117,313</b>	<b>198,298</b>
<b>TOTAL LIABILITIES</b>		<b>118,630</b>	<b>200,585</b>
<b>NET ASSETS</b>		<b>288,513</b>	<b>277,805</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		11,416	11,660
Retained profits	28	152,495	141,543
<b>TOTAL EQUITY</b>		<b>288,513</b>	<b>277,805</b>

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

## Company Statement of Changes in Equity

For the financial year ended 31 December 2007

	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	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	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

	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 2006	100,745	100,745	23,857	11,660	141,543	277,805
Deferred tax liabilities no longer required in view of the Real Property Gains Tax exemption	0	0	0	550	0	550
Revaluation deficit on property, plant and equipment during the financial year	0	0	0	(423)	0	(423)
Realisation of revaluation surplus on disposal of property, plant and equipment	0	0	0	(371)	371	0
(Loss)/income recognised directly in equity	0	0	0	(244)	371	127
Profit for the year	0	0	0	0	17,935	17,935
Total (loss)/income for the year	0	0	0	(244)	18,306	18,062
Dividends for the financial year ended:						
– 31 December 2006	0	0	0	0	(3,677)	(3,677)
– 31 December 2007	0	0	0	0	(3,677)	(3,677)
At 31 December 2007	100,745	100,745	23,857	11,416	152,495	288,513

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

## Company Cash Flow Statement

For the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operations	29	68,098	58,705
Interest paid		(4,423)	(1,860)
Interest received		368	324
Taxation (paid)/refunded		(565)	11,221
Warranty and other provisions utilised		(424)	(1,055)
		(5,044)	8,630
Net cash flow from operating activities		63,054	67,335
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		4,952	85,000
Proceeds from disposal of short term investment		2,020	0
Purchase of property, plant and equipment		(7,248)	(12,384)
Investment in subsidiary companies		0	(2,500)
Interim capital distribution from an associated company		560	8,280
Dividends received		16,240	13,731
Net cash flow from investing activities		16,524	92,127
<b>FINANCING ACTIVITIES</b>			
Revolving credits and bankers acceptance		(81,000)	14,800
Dividends paid		(7,354)	(158,129)
Net cash flow from financing activities		(88,354)	(143,329)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(8,776)	16,133
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		19,592	3,459
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	23	10,816	19,592

The accounting policies on pages 48 to 54 and the notes on pages 55 to 84 form an integral part of these financial statements.

# Summary of Significant Accounting Policies

For the financial year ended 31 December 2007

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 applicable to the Group and are effective

Accounting policies adopted by the Group and the Company have been applied consistently in dealing with items that are considered material in relation to the financial statements, unless otherwise stated. The following new and revised Financial Reporting Standards ("FRSs") that are relevant to the Group have been adopted during the financial year:

- FRS 117 – Leases
- FRS 124 – Related Party Disclosures

The adoption of the above FRSs did not result in substantial changes to the Group's accounting policies other than the effects of the adoption of FRS 117 which have been highlighted in the section on changes in accounting policies.

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, amendments to published standards and interpretations that are effective but not applicable to the Group

- FRS 6 – Exploration for and Evaluation of Mineral Resources
- Amendments to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

### (c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretation that are mandatory for the Group's financial periods beginning on or after 1 January 2008, but which the Group has not early adopted, are as follows:

- FRS 107 Cash Flow Statement. This revised standard has no significant changes as compared to the original standard.
- FRS 111 Construction Contracts. This revised standard has no significant changes as compared to the original standard.
- FRS 112 Income Taxes. This revised standard has removed the requirements that prohibit recognition of deferred tax on reinvestment allowances or other allowances in excess of capital allowances.
- FRS 118 Revenue. This revised standard has no significant changes as compared to the original standard.
- 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.
- FRS 134 Interim Financial Reporting. This revised standard has no significant changes as compared to the original standard.
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets. This revised standard has no significant changes as compared to the original standard.
- FRS 139 Financial Instruments: Recognition and Measurement. The effective date of this standard has yet to be determined by the MASB. Entities are exempted from disclosing the impact of FRS 139 prior to its effective date.
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities. This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate.

## **A Basis of Preparation (continued)**

### **(d) Standards, amendments to published standards and interpretation to existing standards that are not yet effective and not relevant for the Group's operations**

- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance. This revised standard allows alternative treatment that non-government grant to be recorded at nominal amount.
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments. This interpretation deals with liabilities or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed.
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. This interpretation deals with accounting in the financial statements of a contributor for its interests arising from decommissioning funds.
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment. This interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under EU Directive in respect of sales of historical household equipment.
- IC Interpretation 7 Applying the Restatement Approach under the FRS 129<sup>2004</sup> Financial Reporting in Hyperinflationary Economies. This interpretation provides guidance on how to apply the requirement of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.
- IC Interpretation 8 Scope of FRS 2. This Interpretation clarifies that FRS 2 Shares-based payment applies even in the absence of specifically identifiable goods or services.

## **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.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2007

### 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

Freehold land is stated at valuation. Freehold buildings and the building component of owner occupied leasehold properties are 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. 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 Leasehold Land Use Rights**

Leasehold land use rights are payments to acquire long term interests in owner-occupied property. Leasehold land use rights acquired by way of a business combination are measured at their fair values at the acquisition date. For subsequent measurement, leasehold land use rights are amortised over the useful life of the lease which includes the renewal period if the lease can be renewed without significant cost. The estimated useful lives range from 61 to 91 years.

## **I Investment Properties**

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 J 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.

## **J 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.

## **K 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.

## **L 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.

## **M 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.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2007

### **N Trade Receivables**

Trade receivables are carried at anticipated realisable value.

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

### **O 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.

### **P Foreign Currencies**

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

The financial statements are presented in Ringgit Malaysia, which is the Company'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.

### **Q 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.

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.

### **R 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.

### **S 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.

## **T 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.

## **U 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.

### **(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.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2007

### **V 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.

### **W 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.

### **X 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 2007

## 1 General Information

The principal activities of the Group consist of the assembly, distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles. The principal activities of the Company consist of the distribution and retailing of motor vehicles, distribution and sales of spare parts and servicing of vehicles. The subsidiary involved in distribution and retailing of motor vehicles, sales of spare parts and servicing of vehicles under the Peugeot Marque has ceased its operations during the financial year. Apart from this, there was no significant change in the nature of these activities during the financial year.

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:

2nd Floor, 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.

### 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. It does not trade in such financial instruments.

### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings. The risk is mitigated by a cap on interest rates.

### 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 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 Mercedes-Benz Malaysia Sdn Bhd ("MBM"), formerly known as DaimlerChrysler Malaysia Sdn Bhd

As disclosed in Note 17, under the terms of the agreement with Daimler AG ("DAG"), formerly known as DaimlerChrysler AG, the Company is entitled to receive an annual net dividend income of RM11.2 million in respect of the investment in MBM.

For the year ended 31 December 2007, the Group has recognised a gross return on investment of RM15.2 million (2006: RM15.4 million). The directors are of the opinion that the entitlement to receive the return on investment from MBM is probable based on historical experience.

In the event that MBM is unable to declare such dividend in full, DAG undertakes to pay the shortfall to the extent of RM11.2 million ("minimum assured amount"). The amount receivable from DAG will be subject to income tax and the Group will effectively receive an annual net income of RM8.3 million. In this respect, the profit before tax of the Group and Company will be overstated by RM4 million (RM2.9 million after tax).

#### (d) Write-down of inventories

The Group and Company provide for write-down of inventories based on the estimated net realisable value of the inventories as at the balance sheet date. When the inventories are finally disposed of, the net realisable value may vary according to the market condition at the time of sale.

### 4 Changes in Accounting Policies

#### 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 2007 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.

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

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

The adoption of FRS 6, 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 117, leasehold land use rights has been reclassified as a separate component from property, plant and equipment.

##### (c) FRS 117 Leases

Prior to the adoption of the revised FRS 117, leasehold land was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and impairment losses as applicable. Under the revised FRS 117, leasehold land is categorised as an operating lease unless title passes to the lessee at the end of the lease term. With the adoption of the revised FRS 117, the unamortised carrying amounts of leasehold land are now classified as prepaid lease and amortised over the period of its remaining lease term, as allowed by transitional provisions of the revised FRS 117. The reclassification of leasehold land as prepaid lease has been accounted for retrospectively and the comparatives in the balance sheet and cash flow statement have been restated.

The effects on the comparatives of the Group and the Company on adoption of FRS 117 are as follows:

As at 31 December 2006	As previously reported RM'000	Effect of adoption of FRS 117 RM'000	As restated RM'000
<b>Group</b>			
Property, plant and equipment	104,142	(13,299)	90,843
Leasehold land use rights	0	13,299	13,299
<b>Company</b>			
Property, plant and equipment	103,456	(15,154)	88,302
Leasehold land use rights	0	15,154	15,154

#### 5 Revenue

Revenue of the Group and Company comprise 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sales of motor vehicles and spare parts	603,509	573,782	513,121	486,899
Servicing of motor vehicles	26,845	26,616	22,652	22,775
	630,354	600,398	535,773	509,674

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 6 Directors' Remuneration

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

#### Non-executive Directors

Tan Sri Samsudin bin Osman	(appointed on 11.5.2007)
Tan Sri Abdul Halim bin Ali	(resigned on 10.5.2007)
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	
Cheah Kim Teck	
Chiew Sin Cheok	
Benjamin William Keswick	(appointed on 1.4.2007)
Adam Phillip Charles Keswick	(resigned on 31.3.2007)

#### Executive Director

Steven Gareth Foster

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

	Group and Company	
	2007	2006
	RM'000	RM'000
Non-executive Directors:		
– fees	599	602
– salaries and bonus	0	168*
– estimated money value of benefits-in-kind	29	29**
Executive Director:		
– salaries and bonus	2,000	1,405
– estimated money value of benefits-in-kind	200	206 <sup>⊗</sup>
– defined contribution retirement plan	97	100 <sup>⊗</sup>
	<b>2,925</b>	<b>2,510</b>

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

# The amounts include estimated money value of benefits-in-kind of RM29,000 (2006: RM29,000) in relation to the Chairman of the Group and Company, Tan Sri Abdul Halim bin Ali from 1 January 2007 to 10 May 2007 and Tan Sri Samsudin bin Osman from 11 May 2007 to 31 December 2007.

⊗ The amounts include amount payable to Jardine Matheson & Co., Ltd and Jardine Cycle & Carriage Limited of RM262,000 (2006: RM271,000).

### 7 Tax Expense

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
<b>In Malaysia</b>				
Current tax	3,994	5,814	5,601	6,200
Deferred tax	(395)	(496)	(401)	(1,065)
<b>Outside Malaysia</b>				
Current tax	0	3	0	3
	<b>3,599</b>	<b>5,321</b>	<b>5,200</b>	<b>5,138</b>

7 Tax Expense (continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Discontinued Operations</b>				
<b>In Malaysia</b>				
Current tax	(143)	157	0	2
Deferred tax	110	634	0	163
	(33)	791	0	165

**Continuing Operations**

Current tax:				
– current year	4,655	6,538	6,146	6,640
– benefit from utilisation of tax losses on Group relief	(629)	(679)	(629)	(679)
– benefit from previously unrecognised temporary differences and tax losses	(49)	(184)	0	0
– under/(over) accrual in prior years (net)	17	142	84	242

Deferred tax:

– origination and reversal of temporary differences	(398)	(1,212)	(401)	(1,065)
– write-down of deferred tax assets	3	716	0	0
	3,599	5,321	5,200	5,138

**Discontinued Operations**

Current tax:				
– current year	0	341	0	2
– benefit from previously unrecognised temporary differences and tax losses	(143)	(184)	0	0

Deferred tax:

– origination and reversal of temporary differences	110	634	0	163
	(33)	791	0	165

The effective tax rates of the Group and of the Company differ from the prevailing statutory income tax rate of 27% (2006: 28%) due to the following:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Malaysian tax rate	27	28	27	28
Tax effects of:				
– lower tax rate on RPGT	0	(20)	0	(21)
– expenses not deductible for tax purposes	14	1	10	5
– current year's tax losses not recognised	8	3	0	0
– utilisation of previously unrecognised temporary differences	(22)	1	(10)	0
– current year's temporary differences not recognised	9	0	0	0
– income not subject to tax	(4)	0	(2)	0
– benefits from utilisation of tax losses on group relief	0	(1)	(3)	(1)
Average effective tax rate	32	12	22	11

Included in tax expense of the Group is tax savings amounting to RM629,000 (2006: RM679,000) from utilisation of current year tax losses.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

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

#### (I) Discontinued Operations

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Discontinuance of the Mercedes-Benz wholesale business operation (Note 8(I)(a))	(2,665)	375	(2,665)	375
Discontinuance of the assembly operations (Note 8(I)(b))	(15)	619	0	0
Discontinuance of the Peugeot business operation (Note 8(I)(c))	(6,310)	(413)	0	0
(Loss)/profit for the year from discontinued operations	(8,990)	581	(2,665)	375

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

On 9 December 2003, the Company entered into a joint-venture agreement with Daimler AG ("DAG"), formerly known as DaimlerChrysler AG to set up a joint venture company, Mercedes-Benz Malaysia Sdn Bhd ("MBM"), formerly known as DaimlerChrysler Malaysia Sdn Bhd, 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 DAG 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 MBM.

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	0	0	0	0
Expenses excluding finance cost and tax	(2,665)	529	(2,665)	529
Operating (loss)/profit	(2,665)	529	(2,665)	529
Gain on disposal of assets	0	11	0	11
(Loss)/profit before tax	(2,665)	540	(2,665)	540
Tax expense	0	(165)	0	(165)
(Loss)/profit after tax	(2,665)	375	(2,665)	375

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating activities	0	110	0	110
Investing activities				
– proceeds from disposal of equipment	0	18	0	18
Total cash flow	0	128	0	128

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

### (I) Discontinued Operations (continued)

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

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Proceeds from disposal	0	18	0	18
Net book value of equipment	0	(7)	0	(7)
Gain on disposal before and after tax	0	11	0	11

#### (b) Discontinued Assembly Operations

In 2004, Mercedes-Benz Malaysia Sdn Bhd ("MBM"), formerly known as DaimlerChrysler Malaysia Sdn Bhd, 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 MBM for an early termination of the assembly agreements as follows:

- (i) In consideration of the payment by MBM to the Assemblers of a sum of RM10,900,000 (the "Separation Cost"), MBM and the Assemblers agreed to an early termination of the Vehicle assembly agreement dated 9 June 2003 made between MBM and AAI; and the Engine assembly agreement dated 12 April 2004 made between MBM 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, MBM will also pay the per unit assembly fee based on the agreed rate per Vehicle and Engine 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 assembly operations during the year were as follows:

	Group	
	2007 RM'000	2006 RM'000
Revenue	0	0
Expenses excluding finance cost and tax	(15)	619
(Loss)/profit after tax	(15)	619

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

	Group	
	2007 RM'000	2006 RM'000
Operating activities	3	(459)

## Notes to the Financial Statements

For the financial year ended 31 December 2007

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

#### (I) Discontinued Operations (continued)

##### (c) Discontinued Peugeot Business Operation

On 25 October 2007, the Group announced that its wholly-owned subsidiary, Cycle & Carriage Automobiles Sdn Bhd had notified Automobiles Peugeot ("AP") that it would not be renewing its agreement with AP for the distribution of Peugeot vehicles in Malaysia, which had expired on 31 December 2007.

The results attributable to the discontinued Peugeot business operation during the year were as follows:

	Group	
	2007 RM'000	2006 RM'000
Revenue	28,212	40,176
Expenses excluding finance cost and tax	(34,555)	(39,961)
Operating (loss)/profit	(6,343)	215
Loss on disposal of assets	0	(2)
(Loss)/profit before tax	(6,343)	213
Tax expense	33	(626)
Loss after tax	(6,310)	(413)

The cash flows attributable to the discontinued Peugeot business operation during the year were as follows:

	Group	
	2007 RM'000	2006 RM'000
Operating activities	(271)	(2,369)
Investing activities		
– Purchase of plant and equipment	(67)	(126)
– Proceeds from disposal of plant and equipment	47	2
Total cash flow	(291)	(2,493)

The net gain on disposal of equipment attributable to the discontinued Peugeot business operation during the year was as follow:

	Group	
	2007 RM'000	2006 RM'000
Proceeds from disposal	47	2
Net book value of equipment	(47)	(4)
Loss on disposal	0	(2)

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	10,332	7,871	10,332	7,871
At 1 January	7,871	0	7,871	0
Transfer from property, plant and equipment (Note 12)	2,830	45,438	2,830	45,438
Transfer from leasehold land use rights (Note 13)	1,202	0	1,202	0
Transfer from investment properties (Note 14)	0	7,075	0	7,075
Impairment loss	(600)	0	(600)	0
Disposals	(971)	(44,642)	(971)	(44,642)
At 31 December	10,332	7,871	10,332	7,871

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

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

On 19 September 2007, the Company entered into a sale and purchase agreement for the disposal of a vacant piece of land in Sepang, Selangor for a consideration of RM11.7 million. This would give rise to an estimated gain of RM4.7 million on completion, which is expected within the first quarter of 2008. A downpayment of RM1.2 million has been received from the property buyer (Note 25).

On 16 January 2008, the Company entered into a sale and purchase agreement for the disposal of a property in Petaling Jaya, for a consideration of RM11 million which would give rise to an estimated gain of RM7.5 million on completion. The sale is expected to be completed in the second quarter of 2008.

## 9 Profit for the Year

### (a) Expenses by nature:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Defined contribution pension plan	4,507	4,300	3,258	3,074
Salaries, bonus and other employee benefits costs	38,314	40,608	28,968	30,840
Write-down of inventories	7,199	2,719	1,032	1,267
Reversal of inventories write-down	(4,182)	(2,661)	(2,572)	(1,577)
Costs of inventories/materials/consumables	569,642	550,615	466,354	442,578
Demonstration expenses	6,242	5,580	5,144	5,580
Depreciation on property, plant and equipment	7,044	6,038	6,232	5,141
Amortisation of leasehold land use rights	252	320	252	320
Utilities	3,006	1,993	2,131	1,913
Repairs and maintenance	2,248	4,625	1,619	4,128
Delivery, packing and travelling	3,108	2,677	1,879	1,153
Advertising, marketing and promotion	2,365	7,389	2,848	5,767
Leasing of equipments	952	936	829	814
Directors' fees	599	602	599	602
Auditors' remuneration <sup>®</sup>	487	507	326	371
Credit card charges	526	502	466	439
Printing and stationery	988	973	784	718
Company car expenses	1,167	922	839	708
Legal and professional fees	1,237	1,010	1,139	916
Security guard expenses	1,372	1,928	941	1,436
Revaluation deficits	0	573	0	2,830
Payment/provision for retrenchment/voluntary separation benefit	1,002	1,346	0	1,000
Write-down on short term investment	0	344	0	344
Diminution in value for investment in subsidiary companies	0	0	3,765	5,292
Write-back of loss in a subsidiary company	0	0	0	(635)
Rent for land and buildings	4,950	2,993	4,352	2,359
Duty drawback write off	3,907	0	3,907	0
Other expenses	9,227	9,149	1,633	5,125
<b>Total expenses*</b>	<b>666,159</b>	<b>645,988</b>	<b>536,725</b>	<b>522,503</b>

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

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>PricewaterhouseCoopers Malaysia</b>				
Statutory audit	312	292	197	187
Fees for other services:				
– non-statutory audit related services	78	153	78	153
– tax advisory and compliance work	97	62	51	31
<b>Total remuneration</b>	<b>487</b>	<b>507</b>	<b>326</b>	<b>371</b>

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income from investment in MBM	15,174	15,382	15,174	15,382
Dividend income from subsidiary companies	0	0	6,864	3,475
Gain on disposal of property, plant and equipment (Note 29)	1,010	42,047	1,011	42,018
Rental income from owner occupied properties	793	157	2,514	1,740
Interest income	368	339	368	324
Write-back on short term investment	1,028	0	1,028	0
Gain on disposal of short term investments	418	0	418	0
Insurance income	1,253	94	0	0

### 10 Dividends

Dividends declared or proposed in respect of the financial years ended 31 December 2006 and 2007 are as follows:

	Group and Company			
	2007		2006	
	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	3,677	5	3,627
Special dividend paid	0	0	203	147,248
Final dividend proposed	5	3,728	5	3,677
	<b>10</b>	<b>7,405</b>	<b>213</b>	<b>154,552</b>

At the forthcoming Annual General Meeting on 25 April 2008, a final gross dividend in respect of the financial year ended 31 December 2007 of 5 sen per share (2006: 5 sen per share), less income tax, amounting to RM3,728,000 (2006: RM3,677,000) 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 2008 when approved by shareholders of the Company.

## 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	
	2007	2006
Profit for the year attributable to equity holders of the Company (RM'000)	7,444	45,696
Weighted average number of ordinary shares in issue ('000)	100,745	100,745
Basic earnings per share (sen)	7.4	45.4
Profit attributable to equity holders of the Company from continuing operations (RM'000)	16,434	45,115
Basic earnings per share from continuing operations (sen)	16.3	44.8

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>2007</b>							
Net book value at 1 January	36,003	13,299	37,702	2,221	14,053	864	104,142
Transfer to leasehold land use rights (Note 13)	0	(13,299)	0	0	0	0	(13,299)
As restated	36,003	0	37,702	2,221	14,053	864	90,843
Reclassification	0	0	864	0	0	(864)	0
Additions	0	0	1,026	875	6,566	0	8,467
Disposals	0	0	0	(58)	(596)	0	(654)
Depreciation charge	0	0	(1,667)	(742)	(4,635)	0	(7,044)
Impairment loss	0	0	0	(47)	(230)	0	(277)
Transfer to non-current assets held for sale (Note 8(II))	(730)	0	(2,100)	0	0	0	(2,830)
Net book value at 31 December	35,273	0	35,825	2,249	15,158	0	88,505
At cost	0	0	0	11,359	32,824	0	44,183
At valuation	35,273	0	39,704	0	0	0	74,977
Accumulated depreciation	0	0	(3,879)	(9,063)	(17,436)	0	(30,378)
Accumulated impairment losses	0	0	0	(47)	(230)	0	(277)
Net book value at 31 December	35,273	0	35,825	2,249	15,158	0	88,505

## Notes to the Financial Statements

For the financial year ended 31 December 2007

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

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	12,171	0	3,961	0	0	0	16,132
Revaluation deficits	(703)	0	(75)	0	0	0	(778)
Reclassifications	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 14)	(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
Transfer to leasehold land use rights (Note 13)	0	(13,299)	0	0	0	0	(13,299)
As restated	36,003	0	37,702	2,221	14,053	864	90,843
At cost	0	0	0	10,785	29,631	864	41,280
At valuation	36,003	0	40,183	0	0	0	76,186
Accumulated depreciation	0	0	(2,481)	(8,564)	(15,578)	0	(26,623)
Net book value at 31 December	36,003	0	37,702	2,221	14,053	864	90,843
<b>Company</b>							
<b>2007</b>							
Net book value at 1 January	36,003	15,154	37,702	1,733	12,000	864	103,456
Transfer to leasehold land use rights (Note 13)	0	(15,154)	0	0	0	0	(15,154)
As restated	36,003	0	37,702	1,733	12,000	864	88,302
Reclassification	0	0	864	0	0	(864)	0
Additions	0	0	1,026	367	5,855	0	7,248
Disposals	0	0	0	(31)	(314)	0	(345)
Depreciation charge	0	0	(1,667)	(549)	(4,016)	0	(6,232)
Impairment loss	0	0	0	0	(38)	0	(38)
Transfer to non-current assets held for sale (Note 8(II))	(730)	0	(2,100)	0	0	0	(2,830)
Net book value at 31 December	35,273	0	35,825	1,520	13,487	0	86,105
At cost	0	0	0	7,409	28,827	0	36,236
At valuation	35,273	0	38,609	0	0	0	73,882
Accumulated depreciation	0	0	(2,784)	(5,889)	(15,302)	0	(23,975)
Accumulated impairment losses	0	0	0	0	(38)	0	(38)
Net book value at 31 December	35,273	0	35,825	1,520	13,487	0	86,105

## 12 Property, Plant and Equipment (continued)

Company	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					
2006							
Net book value at 1 January	28,639	37,879	37,851	842	5,303	28,356	138,870
Revaluation surplus	11,007	0	3,897	0	0	0	14,904
Revaluation deficits	(1,402)	0	(1,428)	0	0	0	(2,830)
Reclassifications	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 14)	(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
Transfer to leasehold land use rights (Note 13)	0	(15,154)	0	0	0	0	(15,154)
As restated	36,003	0	37,702	1,733	12,000	864	88,302
At cost	0	0	0	7,244	24,462	864	32,570
At valuation	36,003	0	39,069	0	0	0	75,072
Accumulated depreciation	0	0	(1,367)	(5,511)	(12,462)	0	(19,340)
Net book value at 31 December	36,003	0	37,702	1,733	12,000	864	88,302

The Group's freehold land, freehold buildings and the building component of owner-occupied leasehold properties were last revalued at 1 January 2006 by the directors based on valuations on the basis of open market value performed by independent, professionally qualified valuers.

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cost	70,242	73,422	70,985	74,165
Accumulated depreciation	(13,249)	(13,108)	(11,395)	(11,254)
Net book value	56,993	60,314	59,590	62,911

## 13 Leasehold Land Use Rights

	Group RM'000	Company RM'000
2007		
At 1 January	0	0
Reclassification upon adoption of FRS 117		
– transfer from property, plant and equipment (Note 12)	13,299	15,154
As restated	13,299	15,154
Amortisation charge for the year	(252)	(252)
Transfer to non-current assets held for sales (Note 8(II))	(1,202)	(1,202)
At 31 December	11,845	13,700

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 13 Leasehold Land Use Rights (continued)

The analysis of land used rights 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					
	2007			2006		
	Long leasehold RM'000	Short leasehold RM'000	Total RM'000	Long leasehold RM'000	Short leasehold RM'000	Total RM'000
Cost	13,696	67	13,763	15,389	67	15,456
Accumulated amortisation	(1,884)	(34)	(1,918)	(2,124)	(33)	(2,157)
Net book value	11,812	33	11,845	13,265	34	13,299

	Company					
	2007			2006		
	Long leasehold RM'000	Short leasehold RM'000	Total RM'000	Long leasehold RM'000	Short leasehold RM'000	Total RM'000
Cost	15,487	67	15,554	17,180	67	17,247
Accumulated amortisation	(1,820)	(34)	(1,854)	(2,060)	(33)	(2,093)
Net book value	13,667	33	13,700	15,120	34	15,154

### 14 Investment Properties

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 January	0	0	0	0
Transfer from property, plant and equipment (Note 12)	0	8,045	0	8,008
Deficit charged to opening retained earnings upon adoption of FRS 140	0	(970)	0	(933)
At 1 January 2006 as restated	0	7,075	0	7,075
Transfer to non-current assets held for sale (Note 8(II))	0	(7,075)	0	(7,075)
At 31 December	0	0	0	0

The valuations of the investment properties were 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 RM Nil (2006: RM3,000) in the income statement.

### 15 Investments in Subsidiary Companies

	Company	
	2007 RM'000	2006 RM'000
Unquoted investments at cost	55,653	55,653
Less: Allowance for accumulated impairment losses	(23,608)	(19,843)
	32,045	35,810

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

## 16 Investment in an Associated Company

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 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	(78,595)	(78,035)	(78,595)	(78,035)
Less: Dividend from pre-acquisition profit	(6,126)	(6,126)	(6,126)	(6,126)
	28,011	28,571	257	817
Share of retained profits less accumulated losses and reserves of associated company	(20,769)	(20,786)	0	0
Less: Goodwill written off	(6,715)	(6,715)	0	0
Interest in associated company	527	1,070	257	817

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

	2007 RM'000	2006 RM'000
Current assets	1,007	1,591
Current liabilities	(480)	(521)
Share of attributable net assets	527	1,070
Profit/(loss) after tax	17	(27)

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

## 17 Investment in Unquoted Shares

The investment in unquoted shares relate to the Company's investment in Mercedes-Benz Malaysia Sdn Bhd ("MBM"), formerly known as DaimlerChrysler Malaysia Sdn Bhd, a joint-venture company with Daimler AG ("DAG"), formerly known as DaimlerChrysler AG. The Company subscribed for 49% of the shares in MBM, representing 66,003,000 Class B shares at a par value of RM 1 each, whilst DAG subscribed for 51% of the shares in MBM 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 MBM 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 MBM. In the event that MBM is unable to declare such dividend in full, DAG undertakes to pay the shortfall to the extent of RM11.2 million ("minimum assured amount"). The amount receivable from DAG will be subject to income tax and the Group will effectively receive the net income of RM8.3 million.

This dividend arrangement has now been extended to the end of June 2008, following which the dividend will be reduced to 300 basis points above the yield of Malaysian Government 5-year bonds.

For the year ended 31 December 2007, the Group has recognised a gross return on investment of RM15.2 million (2006: RM15.4 million). The directors are of the opinion that the entitlement to receive the return on investment from MBM is probable based on historical experience.

The fair value of the investment in MBM at 31 December 2007 is RM71,334,000 (2006: RM86,552,000). In determining the fair value, the directors have discounted the future contractual cash flows from January 2008 to December 2012 at the Group's rate of return for similar investment, and on the assumption that the Put and Call Options will be exercised on 1 January 2013.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	128	243	0	0
Deferred tax liabilities	(1,325)	(2,344)	(1,317)	(2,287)
	(1,197)	(2,101)	(1,317)	(2,287)
At the start of the year	(2,101)	(895)	(2,287)	(2,179)
Credited/(charged) to income statement:				
– property, plant and equipment	1,378	918	1,365	930
– provisions	(330)	(104)	(90)	(115)
– allowance for stocks	(206)	(1,270)	(336)	(362)
– accrued income	208	214	208	214
– others	(765)	104	(746)	236
	285	(138)	401	903
Charged to equity:				
– property, plant and equipment	619	(1,068)	569	(1,011)
At end of the year	(1,197)	(2,101)	(1,317)	(2,287)
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	1,201	0	1,201	0
Provisions	656	986	627	717
Allowance for stocks	771	977	653	989
Others	475	1,240	452	1,199
	3,103	3,203	2,933	2,905
Offsetting	(2,975)	(2,960)	(2,933)	(2,905)
Deferred tax assets (after offsetting)	128	243	0	0
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	355	1,151	305	1,039
Accrued income	3,945	4,153	3,945	4,153
	4,300	5,304	4,250	5,192
Offsetting	(2,975)	(2,960)	(2,933)	(2,905)
Deferred tax liabilities (after offsetting)	1,325	2,344	1,317	2,287

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deductible temporary differences	8,960	4,798	0	0
Tax losses	24,542	20,536	0	0

## 19 Inventories

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Motor vehicles	90,487	154,087	68,807	121,830
Spare parts	19,612	21,651	11,220	11,054
	<b>110,099</b>	<b>175,738</b>	<b>80,027</b>	<b>132,884</b>

The Group and Company reversed RM4,182,000 and RM2,572,000 (2006: RM2,661,000 and RM1,577,000) 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	98,219	100,657	78,880	83,149
Less: Allowance for doubtful debts	(17,064)	(16,137)	(15,449)	(15,760)
	<b>81,155</b>	<b>84,520</b>	<b>63,431</b>	<b>67,389</b>
Warranty claims receivables	4,710	2,773	3,755	2,239
Less: Allowance for doubtful debts	(754)	(1,310)	(644)	(1,174)
	<b>3,956</b>	<b>1,463</b>	<b>3,111</b>	<b>1,065</b>
Deposits	2,297	2,433	2,172	2,259
Prepayments	1,375	1,028	51	29
Hire purchase receivables	0	249	0	0
Tax recoverable	2,103	2,779	1,177	1,605
	<b>90,886</b>	<b>92,472</b>	<b>69,942</b>	<b>72,347</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.

Trade receivables are denominated in the following currencies:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	92,696	95,797	78,880	83,149
Euro	5,523	4,860	0	0
	<b>98,219</b>	<b>100,657</b>	<b>78,880</b>	<b>83,149</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 21 Short Term Investment

	Group and Company	
	2007 RM'000	2006 RM'000
Shares in corporation quoted in Malaysia – at cost	0	3,352
Less: Amount written-down	0	(2,778)
	0	574
Market value of shares in corporation quoted in Malaysia	0	574

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

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

	Company	
	2007 RM'000	2006 RM'000
Amounts due from subsidiary companies	47,372	47,411
Less: Allowance for amount due from a subsidiary company	(9,456)	(8,521)
	37,916	38,890
Amounts due to subsidiary companies	(20,861)	(23,940)

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

### 23 Cash and Cash Equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank and cash balances	14,459	23,912	10,816	19,731
Bank overdrafts (Note 26)	0	(139)	0	(139)
	14,459	23,773	10,816	19,592

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	
	2007 %	2006 %
	per annum	per annum
Bank and cash balances	2.65	2.60

## 24 Provisions for Liabilities and Charges

Group	Service and warranty RM'000	Retrenchment/ voluntary separation benefit RM'000	Others RM'000	Total RM'000
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
At 1 January 2007	2,077	1,000	265	3,342
Additional provisions	1,095	0	10	1,105
Unused amounts reversed	(887)	0	(55)	(942)
Charged to income statement	208	0	(45)	163
Utilised during the year	(352)	0	(185)	(537)
At 31 December 2007	1,933	1,000	35	2,968
<b>Company</b>				
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
At 1 January 2007	1,215	1,000	265	2,480
Additional provisions	1,083	0	0	1,083
Unused amounts reversed	(304)	0	(68)	(372)
Charged to income statement	779	0	(68)	711
Utilised during the year	(252)	0	(172)	(424)
At 31 December 2007	1,742	1,000	25	2,767

### 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 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 25 Trade and Other Payables

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	23,406	19,364	19,987	15,630
Trade accruals	17,348	19,333	13,531	15,909
Downpayment received from property buyer (Note 8(II))	1,167	200	1,167	200
	41,921	38,897	34,685	31,739

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	
	2007 RM'000	2006 RM'000
<b>Current</b>		
Revolving credits	56,000	140,000
Bankers acceptance	3,000	0
Bank overdrafts (Note 23)	0	139
	59,000	140,139

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>2007</b>				
<b>Unsecured</b>				
Revolving credits	4.12% – 4.5%	RM	56,000	56,000
Bankers acceptance	3.83%	RM	3,000	3,000
<b>2006</b>				
<b>Unsecured</b>				
Revolving credits	4.29% – 4.5%	RM	140,000	140,000
Bank overdrafts	7.25%	RM	139	139

## 27 Share Capital

	Group and Company			
	2007		2006	
	'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 2007 if paid out as dividends.

## 29 Cash Flow from Operations

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit for the year	7,444	45,696	17,935	43,193
Adjustments for:				
Property, plant and equipment:				
- depreciation (Note 12)	7,044	6,038	6,232	5,141
- gains on disposal (Note 9)	(1,010)	(42,047)	(1,011)	(42,018)
- impairment	435	0	195	0
Amortisation of leasehold land use right (Note 13)	252	320	252	320
Revaluation deficits (Note 9)	0	573	0	2,830
Interest income (Note 9)	(368)	(339)	(368)	(324)
Finance cost	4,156	2,329	4,156	2,329
Provisions	163	541	711	468
(Write-back)/write-down on short term investment (Note 9)	(1,028)	344	(1,028)	344
Gain on disposal of short term investments (Note 9)	(418)	0	(418)	0
Provision of retrenchment benefit	0	1,346	0	1,000
Diminution in value for investment in subsidiary companies (Note 9)	0	0	3,765	5,292
Dividends (gross) from subsidiary companies (Note 9)	0	0	(6,864)	(3,475)
Income from investment in MBM (Note 9)	(15,174)	(15,382)	(15,174)	(15,382)
Share of results of an associated company	(29)	(23)	0	0
Tax expense	3,578	6,162	5,200	5,303
	(2,399)	(40,138)	(4,352)	(38,172)
	5,045	5,558	13,583	5,021
Changes in working capital:				
Inventories	65,639	61,256	52,857	58,740
Receivables	(1,923)	4,526	(856)	2,115
Payables	5,692	(16,686)	4,612	(9,440)
Associated company balances	8	11	7	11
Subsidiary companies' balances	0	0	(2,105)	2,258
	69,416	49,107	54,515	53,684
Net cash flow from operations	74,461	54,665	68,098	58,705

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 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
		2007 %	2006 %	
<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. The company transferred its operation to its holding company, Cycle & Carriage Bintang Berhad during the financial year.
Asia Automobile Industries Sendirian Berhad	4,400	100	100	Assembly of trucks.
Srisari Sdn. Bhd.	0*	100	100	Assembly of engines. The company commences retailing of motor vehicles during the financial year.
Cycle & Carriage Automobiles Sendirian Berhad	5,000	100	100	Distribution and retailing of motor vehicles, sales of spare parts and servicing of vehicles. The company ceased its operation by end of the financial year (see Note 8(l)(c)).
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	100	Distribution and sales of spare parts.
Cycle & Carriage Motors Sdn Bhd	0*	100	100	Distribution and retailing of trucks, sales of spare parts and servicing of trucks.
<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	
	2007 RM'000	2006 RM'000
Leasehold land use rights and freehold land and building	1,029	42,027
Investment property	0	(6)
	1,029	42,021

### 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>(a) With subsidiary companies:</b>				
Transfer of motor vehicles and prepaid sales tax to a subsidiary	0	0	22,448	20,573
Transfer of motor vehicles and prepaid sales tax from a subsidiary	0	0	(9,702)	(8,666)
Sales of motor vehicles, goods and services	0	0	41,101	22,376
Purchases of goods and services	0	0	(5,102)	(9,086)
Receipt of rental	0	0	1,720	1,586
Receipt of management fees	0	0	2,588	389
<b>(b) With an associated company:</b>				
Receipt of payment for rental and utilities	0	5	0	5
Interim capital distribution	560	8,280	560	8,280
Rent for land and buildings	0	(59)	0	(59)
<b>(c) With directors/companies related to directors:</b>				
Sales of motor vehicles to HSBC Bank Malaysia Berhad	0	262	0	262
Sales of after-sales services to:				
– Malakoff Berhad	1	63	1	63
– Multimedia Development Corporation Sdn Bhd	0	67	0	67
Payment of hotel accommodation, banquet and meeting package to The Saujana Kuala Lumpur	(44)	(27)	(44)	(27)
Purchase of lubricants from Esso Malaysia Berhad	(1)	0	0	0
Purchase of F1 tickets from Sepang International Circuit Sdn Bhd	(19)	(16)	(19)	(16)
Purchase of advertising and sponsorship services from The Saujana Kuala Lumpur	(120)	(120)	(120)	(120)

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 32 Significant Related Party Disclosures (continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>(d) With substantial shareholders and companies related to substantial shareholders:</b>				
Sales of motor vehicles and parts to:				
– Antah Schindler Sdn Bhd	0	354	0	354
– Diplomat Parts Pte Ltd	21	83	0	0
Receipt from Azaminat Sdn Bhd:				
– Management service fees	12	5	12	5
– Time cost recovery	48	0	48	0
Payment received for vehicles on loan to Mandarin Oriental Kuala Lumpur				
	143	0	143	0
Receipt of rental and utilities from Jardine Audit & Risk Management Services Sdn Bhd				
	38	0	38	0
Purchase of goods and parts from Edaran Otomobil Nasional Berhad				
	0	(1,395)	0	0
Payment of group service charge to Jardine Cycle & Carriage Limited				
	(393)	(419)	(393)	(419)
Payment of HR services and IT services to Cycle & Carriage Industries Pte Limited				
	(667)	(118)	(667)	(118)
Payment of hotel banquet and meeting package to:				
– Concorde Hotel	(16)	(17)	(16)	(17)
– Mandarin Oriental Kuala Lumpur	(26)	(17)	(26)	(15)
Payment of insurance premiums to Jardine Lloyd Thompson Sdn Bhd				
	(607)	(453)	(556)	(348)
Purchase of parts from:				
– CCL Indo-China Investments Pte Ltd	0	(2,334)	0	0
– PT Astra Otoparts Tbk	(454)	(328)	0	0
– Diplomat Parts Pte Ltd	(709)	0	0	0
Payment of computer software and peripherals to Jardine OneSolution (2001) Sdn Bhd				
	(690)	(1,465)	(688)	(1,440)
Payment to Jardine Matheson & Co., Ltd:				
– consultancy and course fees	(2)	(52)	(2)	(52)
– group internal audit	(406)	(416)	(406)	(416)
<b>(e) With principal officers:</b>				
Sale of motor vehicle to Lee Chee Keong				
	0	105	0	105
<b>(f) Remuneration of key management personnel of the Group:</b>				
Salaries and other short term employee benefits				
	(2,473)	(1,813)	(2,473)	(1,813)

### 32 Significant Related Party Disclosures (continued)

Relationships with the above related parties are as follows:

Related party	Relationship
Edaran Otomobil Nasional Berhad	Company in which Jardine Matheson Holdings Limited, the ultimate holding company of the Company had an interest in the previous financial year.
The Saujana Kuala Lumpur	A company in which Datuk Hassan Abas, a director of the Company has an interest via the Saujana group of companies.
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.
Malakoff Berhad, Multimedia Development Corporation Sdn Bhd and Esso Malaysia Berhad	Companies in which Tan Sri Abdul Halim bin Ali, the former Chairman of the Company is also a director.
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 Ltd, PT Astra Otoparts Tbk, Cycle & Carriage Industries Pte Limited, Diplomat Parts Pte Ltd and Azaminat Sdn Bhd	Subsidiary and associated companies of Jardine Cycle & Carriage Limited, the holding company of the Company.
Concorde Hotel	A company in which Jardine Cycle & Carriage Limited, the holding company of the Company had interest up to 2 October 2007.
Jardine Matheson & Co., Ltd, Jardine OneSolution (2001) Sdn Bhd, Jardine Lloyd Thompson Sdn Bhd, Jardine Audit & Risk Management Services Sdn Bhd, Antah Schindler Sdn Bhd and Mandarin Oriental Kuala Lumpur	Companies related to Jardine Matheson Holdings Limited, the ultimate holding company of the Company.
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.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 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.

At the financial year end, the settlement date on open forward contract range from 1 to 3 months. The local currency amounts to be paid and contractual exchange rates of the outstanding contracts were as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
Japanese Yen – at rates averaging Yen 100 = RM2.9572	7,467	0
USD – at rates averaging 1 USD = RM3.4742	1,267	0
	8,734	0
Fair value at 31 December (unfavourable net position of)	86	0

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)

- (a) At 31 December 2007, the Group and Company had contingent liabilities in respect of various legal claims against the Company amounting to RM5,276,000 (2006: RM4,128,000). 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.
- (b) At 31 December 2007, 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 Mercedes-Benz Malaysia Sdn Bhd (“MBM”), formerly known as DaimlerChrysler Malaysia Sdn Bhd, in respect of those former employees who opted to join MBM in December 2002 amounting to RM2,900,000 (2006: RM3,500,000).
- (c) At 31 December 2007, 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 Hap Seng Auto Sdn Bhd (“HSA”), formerly known as Si Khiong Industries Sdn Bhd in respect of those former employees who opted to join HSA in December 2005 amounting to RM800,000 (2006: RM800,000).

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

- (d) In 1997, the Company supplied units of bus chassis 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.

- (e) 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 have yet to be extracted from 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.

### 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 Mercedes-Benz Malaysia Sdn Bhd, formerly known as DaimlerChrysler Malaysia Sdn Bhd.
- Other – property investment through an associated company, CCL Group Properties Sdn Berhad (under members voluntary liquidation).

#### Continuing Operations

	Automobile Industry RM'000	Investment RM'000	Other RM'000	Total RM'000
<b>2007</b>				
Revenue	630,354	0	0	630,354
Results:				
Segment results	8,998	15,174	0	24,172
Finance cost	(4,156)	0	0	(4,156)
Share of results of an associated company	0	0	17	17
				20,033
Tax expense (Note 7)				(3,599)
Net profit				16,434
<b>At 31 December 2007</b>				
Net assets:				
Segment assets	295,659	81,177	0	376,836
Investment in an associated company	0	0	527	527
Unallocated assets				1,938
				379,301
Segment liabilities	101,864	0	0	101,864
Unallocated liabilities				1,325
				103,189
Other information:				
Capital expenditure	8,400	0	0	8,400
Depreciation	6,807	0	0	6,807

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 35 Segment Reporting (continued)

#### Discontinued Operations

2007	Automobile Industry RM'000	Investment RM'000	Other RM'000	Total RM'000
Revenue	28,212	0	0	28,212
Results:				
Segment results	(9,023)	0	0	(9,023)
Tax expense (Note 7)				33
Net profit (Note 8(l))				(8,990)

#### At 31 December 2007

Net assets:				
Segment assets	13,483	0	0	13,483
Segment liabilities	2,025	0	0	2,025
Other information:				
Capital expenditure	67	0	0	67
Depreciation	237	0	0	237

#### Continuing Operations

2006

Revenue	600,398	0	0	600,398
Results:				
Segment results	37,410	15,382	0	52,792
Finance cost	(2,329)	0	0	(2,329)
Share of results of an associated company	0	0	(27)	(27)
				50,436
Tax expense (Note 7)				(5,321)
Net profit				45,115

#### At 31 December 2006

Net assets:				
Segment assets	350,209	81,385	0	431,594
Investment in an associated company	0	0	1,070	1,070
Unallocated assets				2,711
				435,375
Segment liabilities	178,321	0	0	178,321
Unallocated liabilities				2,352
				180,673
Other information:				
Capital expenditure	13,300	0	0	13,300
Depreciation	6,132	0	0	6,132

### 35 Segment Reporting (continued)

#### Discontinued Operations

2006	Automobile Industry RM'000	Investment RM'000	Other RM'000	Total RM'000
Revenue	40,176	0	0	40,176
Results:				
Segment results	1,372	0	0	1,372
Tax expense (Note 7)				(791)
Net profit (Note 8(I))				581
At 31 December 2006				
Net assets:				
Segment assets	36,548	0	0	36,548
Segment liabilities	4,057	0	0	4,057
Other information:				
Capital expenditure	126	0	0	126
Depreciation	226	0	0	226

### 36 Commitments

#### (a) Capital commitments

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment				
– Approved and contracted	226	3,931	226	3,884
– Approved but not contracted	117	2,104	117	2,102
	343	6,035	343	5,986

#### (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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Not later than 1 year	4,558	4,548	4,408	4,416
Later than 1 year and not later than 5 years	9,981	12,400	9,968	12,392
Later than 5 years	0	1,300	0	1,300
	14,539	18,248	14,376	18,108

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 37 Subsequent Event

Effective 1 February 2008, the Mazda businesses of the Company and its wholly owned subsidiary, Cycle & Carriage (Malaysia) Sdn Berhad have been consolidated into another wholly owned subsidiary, Hercules Automotive Engineering Sendirian Berhad to align the internal business structure.

### 38 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 February 2008.