

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

1 General Information

The principal activities of the Group and of the Company consist of the retailing of motor vehicles, sales of spare parts and servicing of vehicles. 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 Market of Bursa Malaysia Securities Berhad.

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

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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

Lot 19, Jalan 51A/219
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 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.

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 entering into interest rate cap contracts.

Credit risk

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

Liquidity and cash flow risk

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

3 Critical Accounting Estimates and Judgement

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

(a) Service and warranty

The Group and the Company provide servicing and warranties on vehicles sold under specific warranty terms. A provision is made for expected warranty claims based on past service history 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.

3 Critical Accounting Estimates and Judgement (continued)

(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.

4 Revenue

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sales of motor vehicles and spare parts	446,253	489,533	397,730	432,462
Servicing of motor vehicles	20,067	23,557	17,613	20,782
	466,320	513,090	415,343	453,244

5 Directors' Remuneration

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

	Group and Company	
	2009 RM'000	2008 RM'000
Non-executive Directors:		
– fees	337	429
Executive Director:		
– salaries and bonus	0	1,450
– estimated value of benefits-in-kind @	0	120
– defined contribution retirement plan @	0	73
	337	2,072

@ The amounts include amount payable to Jardine Matheson & Co., Ltd of RM Nil (2008: RM135,000).

6 Tax Expense

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Continuing Operations				
Current tax	5,291	4,533	8,514	4,184
Deferred tax	1,571	(3,845)	1,475	(3,818)
	6,862	688	9,989	366
Discontinued Operations				
Current tax	1,495	106	1,495	0

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6 Tax Expense (continued)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Continuing Operations				
Current tax:				
- current year	5,538	4,699	8,765	4,284
- benefit from previously unrecognised temporary differences and tax losses	0	(2)	0	0
- over accrual in prior years (net)	(247)	(164)	(251)	(100)
Deferred tax:				
- origination and reversal of temporary differences	1,571	(3,845)	1,475	(3,818)
	6,862	688	9,989	366
Discontinued Operations				
Current tax:				
- current year	1,495	106	1,495	0

The effective tax rates of the Group and of the Company differ from the prevailing statutory income tax rate of 25% (2008: 26%) due to the following:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Malaysian tax rate	25	26	25	26
Tax effects of:				
- expenses not deductible for tax purposes	3	1	3	1
- income not subject to tax	(5)	(25)	(5)	(26)
- prior year over provision	(1)	0	(1)	0
- others	1	0	1	0
Average effective tax rate	23	2	23	1

7 Discontinued Operations and Non-current Assets Held for Sale

(I) Discontinued Operations

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Discontinuance of the Mercedes-Benz wholesale business operation (Note 7(l)(a))	4,486	(1,100)	4,486	(1,100)
Discontinuance of the assembly operation (Note 7(l)(b))	0	(6)	0	0
Discontinuance of the Peugeot business operation (Note 7(l)(c))	0	780	0	0
Discontinuance of the Mazda business operation (Note 7(l)(d))	0	963	0	448
Discontinuance of the Parts & Truck business operations (Note 7(l)(e))	0	(481)	0	0
Profit/(loss) for the year from discontinued operations	4,486	156	4,486	(652)

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

(l) Discontinued Operations (continued)

(a) Discontinued Mercedes-Benz Wholesale Business Operation

As disclosed in prior financial years, the Company ceased to have the rights to the Mercedes-Benz wholesale business with effect from 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 financial year were as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	0	0	0	0
Other income/(expenses) excluding tax	5,981	(1,100)	5,981	(1,100)
Profit/(loss) before tax	5,981	(1,100)	5,981	(1,100)
Tax expense	(1,495)	0	(1,495)	0
Profit/(loss) after tax	4,486	(1,100)	4,486	(1,100)

The other income of RM5,981,000 for the financial year ended 31 December 2009 is in respect of the duty drawback received during the financial year.

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating activities	5,981	0	5,981	0

(b) Discontinued Assembly Operation

As disclosed in prior financial years, Asia Automobile Industries Sendirian Berhad ("AAI"), and Srisari Sdn. Bhd. ("Srisari"), both wholly owned subsidiaries of the Company has each entered into an agreement with MBM for an early termination of the assembly operation.

The results attributable to the discontinued assembly operation during the financial year were as follows:

	Group	
	2009 RM'000	2008 RM'000
Revenue	0	0
Expenses excluding tax	0	(6)
Loss before tax	0	(6)
Tax expense	0	0
Loss after tax	0	(6)

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

	Group	
	2009 RM'000	2008 RM'000
Operating activities	0	(9)

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

(l) Discontinued Operations (continued)

(c) Discontinued Peugeot Business Operation

On 25 October 2007, the Group announced that its wholly owned subsidiary, Cycle & Carriage Automobiles Sendirian Berhad 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 financial year were as follows:

	Group	
	2009 RM'000	2008 RM'000
Revenue	0	4,400
Expenses excluding tax	0	(3,620)
Profit before tax	0	780
Tax expense	0	0
Profit after tax	0	780

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

	Group	
	2009 RM'000	2008 RM'000
Operating activities	0	(396)
Investing activities		
– Proceeds from disposal of plant and equipment	0	323
Total cash flow	0	(73)

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

	Group	
	2009 RM'000	2008 RM'000
Proceeds from disposal	0	323
Net book value of equipment	0	(301)
Gain on disposal	0	22

(d) Discontinued Mazda Business Operation

On 29 February 2008, the Group entered into a share sale agreement with Bermaz Motor Sdn Bhd, a wholly owned subsidiary of Berjaya Corporation Berhad, for the disposal of the wholesale and retail business of the Mazda franchise in Malaysia via the disposal of its wholly owned subsidiary, Hercules Automotive Engineers Sendirian Berhad.

The sale was completed on 1 April 2008 and the Group subsequently ceased to be in the business of distribution and retail of Mazda vehicles in Malaysia.

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

(l) Discontinued Operations (continued)

(d) Discontinued Mazda Business Operation (continued)

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	0	22,795	0	5,020
Expenses excluding tax	0	(21,826)	0	(4,572)
Profit before tax	0	969	0	448
Tax expense	0	(6)	0	0
Profit after tax	0	963	0	448

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating activities	0	1,308	0	0
Investing activities:				
– Purchase of plant and equipment	0	(2,222)	0	0
– Proceeds from disposal of plant and equipment	0	794	0	0
Total cash flow	0	(120)	0	0

The net loss on disposal of equipment attributable to the discontinued Mazda business operation during the financial year was as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Proceeds from disposal	0	794	0	0
Net book value of equipment	0	(981)	0	0
Loss on disposal	0	(187)	0	0

(e) Discontinued Parts & Truck Business Operations

On 18 July 2008, the Group entered into a share sale agreement with Mikani Holdings Sdn Bhd (“Purchaser”) for the disposal of the Company’s wholly owned subsidiaries, Cycle & Carriage Motors Sdn Bhd, Cycle & Carriage Parts and Accessories Sdn Bhd and Asia Automobile Industries Sendirian Berhad.

The sale was completed on 22 July 2008 and the Group subsequently ceased its Parts & Truck businesses.

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

(I) Discontinued Operations (continued)

(e) Discontinued Parts & Truck Business Operations (continued)

The results attributable to the discontinued parts & truck business operations during the financial year were as follows:

	Group	
	2009 RM'000	2008 RM'000
Revenue	0	16,522
Expenses excluding finance cost and tax	0	(16,853)
Loss before finance cost and tax	0	(331)
Finance cost	0	(50)
Loss before tax	0	(381)
Tax expense	0	(100)
Loss after tax	0	(481)

The cash flows attributable to the discontinued parts & truck business operations during the financial year were as follows:

	Group	
	2009 RM'000	2008 RM'000
Operating activities	0	(383)
Investing activities:		
– Purchase of plant and equipment	0	(834)
– Proceeds from disposal of plant and equipment	0	65
Total cash flow	0	(1,152)

The net gain on disposal of equipment attributable to the discontinued parts & truck business operations during the financial year was as follows:

	Group	
	2009 RM'000	2008 RM'000
Proceeds from disposal	0	65
Net book value of equipment	0	(63)
Gain on disposal	0	2

(II) Non-current assets held for sale

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment	0	250	0	250
At 1 January	250	10,332	250	10,332
Transfer from property, plant and equipment (Note 11)	0	7,675	0	7,675
Disposals	(250)	(17,757)	(250)	(17,757)
At 31 December	0	250	0	250

8 Profit for the Year

(a) Expenses by nature:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Defined contribution pension plan	2,989	3,458	2,648	2,874
Salaries, bonus and other employee benefits costs	23,880	33,158	21,511	28,408
Write-down of inventories	1,842	515	1,751	447
Reversal of write-down of inventories made in previous year (Note 17)	(764)	(1,721)	(702)	(598)
Costs of inventories/materials/consumables	402,802	479,847	357,630	395,165
Demonstration car expenses	3,005	4,371	2,722	3,998
Depreciation of property, plant and equipment (Note 11)	5,031	5,846	4,846	5,486
Impairment of property, plant and equipment (Note 11)	474	18	474	18
Amortisation of leasehold land use rights (Note 12)	227	227	227	227
Utilities	2,098	2,512	1,925	2,255
Repairs and maintenance	1,653	2,692	1,540	2,494
Delivery, packing and travelling	1,212	1,989	1,031	1,474
Advertising, marketing and promotion	1,967	1,497	1,747	1,213
Leasing of equipment	818	1,001	714	861
Directors' fees	337	429	337	429
Auditors' remuneration [@]	279	331	221	256
Credit card charges	584	525	524	524
Printing and stationery	372	569	325	490
Company car expenses	787	1,059	744	860
Legal and professional fees	1,593	876	1,541	806
Security guard expenses	807	1,057	743	930
Revaluation deficit of properties (Note 11)	0	2,154	0	2,154
Payment/provision for retrenchment/ voluntary separation benefits	0	5,485	0	4,985
Amount due from subsidiaries written-off	0	0	0	3,026
Rent for land and buildings	4,297	4,620	4,197	4,496
Other expenses	1,569	6,819	1,410	2,735
Total expenses *	457,859	559,334	408,106	466,013

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

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
PricewaterhouseCoopers Malaysia				
Statutory audit	211	209	172	167
Fees for other services:				
– non-statutory audit related services	24	58	24	58
– tax advisory and compliance work	44	61	25	28
– other services	0	3	0	3
Total remuneration	279	331	221	256

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8 Profit for the Year (continued)

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Dividend income	11,229	11,229	11,229	11,229
Income from investment	0	18,714	0	18,714
Dividend income from subsidiary companies	0	0	14,027	0
Gain on disposal of property, plant and equipment (Note 26)	64	11,645	63	11,833
Interest income (Note 26)	1,095	1,301	1,095	1,301
Insurance commission income	1,576	1,565	1,493	1,301

9 Dividends

Dividends declared or proposed in respect of the financial years ended 31 December 2009 and 2008 are as follows:

	Group and Company			
	2009		2008	
	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	3,778	5	3,728
Special dividend paid	120	90,670	135	100,643
Final dividend proposed	5	3,778	5	3,778
	130	98,226	145	108,149

At the forthcoming Annual General Meeting on 27 April 2010, a final gross dividend in respect of the financial year ended 31 December 2009 of 5 sen per share (2008: 5 sen per share), less income tax, amounting to RM3,778,000 (2008: RM3,778,000) 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 2010 when approved by shareholders of the Company.

10 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	
	2009	2008
Profit for the year attributable to equity holders of the Company (RM'000)	28,129	46,785
Weighted average number of ordinary shares in issue ('000)	100,745	100,745
Basic earnings per share (sen)	27.9	46.4
Profit attributable to equity holders of the Company from continuing operations (RM'000)	23,643	46,629
Basic earnings per share from continuing operations (sen)	23.5	46.3

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

11 Property, Plant and Equipment

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles, equipment and fixtures RM'000	Total RM'000
2009					
Net book value at 1 January	30,150	31,137	1,295	10,642	73,224
Additions	0	268	466	467	1,201
Disposals	0	0	0	(56)	(56)
Depreciation charge (Note 8)	0	(1,356)	(462)	(3,213)	(5,031)
Impairment loss (Note 8)	0	(87)	(2)	(385)	(474)
Net book value at 31 December	30,150	29,962	1,297	7,455	68,864
At cost	0	0	8,497	25,321	33,818
At valuation	30,150	31,469	0	0	61,619
Accumulated depreciation	0	(1,420)	(7,186)	(17,481)	(26,087)
Accumulated impairment losses	0	(87)	(14)	(385)	(486)
Net book value at 31 December	30,150	29,962	1,297	7,455	68,864
2008					
Net book value at 1 January	35,273	35,825	2,249	15,158	88,505
Revaluation surplus	1,777	225	0	0	2,002
Revaluation deficit (Note 8)	0	(2,154)	0	0	(2,154)
Additions	0	1,509	464	3,416	5,389
Disposals	0	(1,221)	(341)	(2,167)	(3,729)
Depreciation charge (Note 8)	0	(1,430)	(540)	(3,876)	(5,846)
Assets of companies disposed of (Note 26)	0	(842)	(519)	(1,889)	(3,250)
Impairment loss (Note 8)	0	0	(18)	0	(18)
Transfer to non-current assets held for sale (Note 7(II))	(6,900)	(775)	0	0	(7,675)
Net book value at 31 December	30,150	31,137	1,295	10,642	73,224
At cost	0	0	8,053	25,570	33,623
At valuation	30,150	31,201	0	0	61,351
Accumulated depreciation	0	(64)	(6,746)	(14,890)	(21,700)
Accumulated impairment losses	0	0	(12)	(38)	(50)
Net book value at 31 December	30,150	31,137	1,295	10,642	73,224

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11 Property, Plant and Equipment (continued)

Company	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles, equipment and fixtures RM'000	Total RM'000
2009					
Net book value at 1 January	30,150	31,137	1,065	10,355	72,707
Additions	0	35	47	376	458
Disposals	0	0	0	(107)	(107)
Depreciation charge (Note 8)	0	(1,347)	(431)	(3,068)	(4,846)
Impairment loss (Note 8)	0	(87)	(2)	(385)	(474)
Net book value at 31 December	30,150	29,738	679	7,171	67,738
At cost	0	0	5,326	23,923	29,249
At valuation	30,150	31,236	0	0	61,386
Accumulated depreciation	0	(1,411)	(4,633)	(16,367)	(22,411)
Accumulated impairment losses	0	(87)	(14)	(385)	(486)
Net book value at 31 December	30,150	29,738	679	7,171	67,738
2008					
Net book value at 1 January	35,273	35,825	1,520	13,487	86,105
Revaluation surplus	1,777	225	0	0	2,002
Revaluation deficit (Note 8)	0	(2,154)	0	0	(2,154)
Additions	0	401	173	1,741	2,315
Disposals	0	(955)	(147)	(1,280)	(2,382)
Depreciation charge (Note 8)	0	(1,430)	(463)	(3,593)	(5,486)
Impairment loss (Note 8)	0	0	(18)	0	(18)
Transfer to non-current assets held for sale (Note 7(II))	(6,900)	(775)	0	0	(7,675)
Net book value at 31 December	30,150	31,137	1,065	10,355	72,707
At cost	0	0	5,298	24,283	29,581
At valuation	30,150	31,201	0	0	61,351
Accumulated depreciation	0	(64)	(4,221)	(13,890)	(18,175)
Accumulated impairment losses	0	0	(12)	(38)	(50)
Net book value at 31 December	30,150	31,137	1,065	10,355	72,707

The Group's freehold land, freehold buildings and the building component of owner-occupied leasehold properties were last revalued at 31 December 2008 by independent professionally qualified valuers. Valuations were made on the basis of open market value and in the case of leasehold buildings on the basis of depreciated replacement cost.

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cost	65,171	65,136	66,995	66,960
Accumulated depreciation	(12,390)	(10,937)	(11,627)	(10,169)
Net book value	52,781	54,199	55,368	56,791

12 Leasehold Land Use Rights

	Group RM'000	Company RM'000
2009		
At 1 January	11,618	13,473
Amortisation charge for the year (Note 8)	(227)	(227)
At 31 December	11,391	13,246
2008		
At 1 January	11,845	13,700
Amortisation charge for the year (Note 8)	(227)	(227)
At 31 December	11,618	13,473

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

	Group					
	2009			2008		
	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	13,696	67	13,763
Accumulated amortisation	(2,336)	(36)	(2,372)	(2,110)	(35)	(2,145)
Net book value	11,360	31	11,391	11,586	32	11,618

	Company					
	2009			2008		
	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	15,487	67	15,554
Accumulated amortisation	(2,272)	(36)	(2,308)	(2,046)	(35)	(2,081)
Net book value	13,215	31	13,246	13,441	32	13,473

13 Investments in Subsidiary Companies

	Company	
	2009 RM'000	2008 RM'000
Unquoted investments at cost	50,185	50,185
Less: Allowance for accumulated impairment losses	(18,531)	(18,531)
	31,654	31,654

A list of subsidiary companies is set out in Note 27.

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14 Investment in An Associated Company

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted investment at cost	112,732	112,732	112,732	112,732
Less: Allowance for accumulated impairment losses	0	0	(27,561)	(27,561)
Less: Interim capital distribution received	(79,045)	(79,045)	(79,045)	(79,045)
Less: Dividend from pre-acquisition profit	(6,126)	(6,126)	(6,126)	(6,126)
	27,561	27,561	0	0
Share of retained profits less accumulated losses and reserves of associated company	(20,651)	(20,642)	0	0
Less: Goodwill written off	(6,715)	(6,715)	0	0
Interest in associated company	195	204	0	0

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

	2009 RM'000	2008 RM'000
Current assets	583	611
Current liabilities	(388)	(407)
Share of attributable net assets	195	204
(Loss)/profit after tax	(9)	127

The details of the associated company are set out in Note 27.

15 Investment in Unquoted Shares

The investment in unquoted shares relates to the Company's investment in Mercedes-Benz Malaysia Sdn Bhd ("MBM"), a joint-venture company with Daimler AG ("DAG"). The Company subscribed for 49% of the shares in MBM, representing 66,003,000 Class B shares at a par value of RM1 each, whilst DAG subscribed for 51% of the shares in MBM representing 68,697,000 Class A shares at a par value of RM1 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 the investment has been accounted for as simple investment instead of an associated company.

There are put and call options in respect of the Company's stake which are not exercisable prior to 31 December 2012.

Under the terms of the agreement with DAG, the Company is entitled to receive an annual net dividend income of RM11.2 million in respect of the investment in MBM until December 2012.

During the financial year ended 31 December 2009, the Group recognised a dividend income of RM11.2 million (2008: RM11.2 million). In the previous financial year ended 31 December 2008, the Company also received an other income from investment of RM18,714,000.

The fair value of the investment in MBM at 31 December 2009 is RM76,223,000 (2008: RM79,030,000). In determining the fair value, the directors have discounted the future contractual cash flows from January 2010 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.

16 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	1,037	2,608	986	2,461
At 1 January	2,608	(1,197)	2,461	(1,317)
(Charged)/credited to income statement:				
– property, plant and equipment	(1,774)	562	(1,770)	548
– provisions	452	(201)	443	(209)
– allowance for stocks	(103)	(132)	(21)	(141)
– accrued income	0	3,945	0	3,945
– others	(146)	(329)	(127)	(325)
	(1,571)	3,845	(1,475)	3,818
Charged to equity:				
– property, plant and equipment	0	(40)	0	(40)
At 31 December	1,037	2,608	986	2,461
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	0	1,704	0	1,704
Provisions	907	455	861	418
Allowance for stocks	536	639	491	512
Others	0	146	0	127
	1,443	2,944	1,352	2,761
Offsetting	(406)	(336)	(366)	(300)
Deferred tax assets (after offsetting)	1,037	2,608	986	2,461
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	406	336	366	300
Offsetting	(406)	(336)	(366)	(300)
Deferred tax liabilities (after offsetting)	0	0	0	0

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deductible temporary differences	517	847	0	0
Tax losses	6,235	5,989	0	0

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For the financial year ended 31 December 2009

17 Inventories

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Motor vehicles	45,095	51,909	40,748	48,118
Spare parts	8,505	10,270	7,703	9,112
	53,600	62,179	48,451	57,230

The Group and the Company reversed RM764,000 and RM702,000 (2008: RM1,721,000 and RM598,000) (Note 8) respectively in respect of part of inventory write-down made in prior years that were subsequently not required as the Group and the Company were able to sell these inventories at values above their carrying amounts.

18 Trade and Other Receivables

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables	44,322	56,812	41,090	52,809
Less: Allowance for doubtful debts	(15,218)	(15,418)	(15,216)	(15,349)
	29,104	41,394	25,874	37,460
Warranty claims receivables	1,998	6,150	1,707	5,076
Less: Allowance for doubtful debts	(500)	(554)	(448)	(428)
	1,498	5,596	1,259	4,648
Dividend receivable	11,229	11,229	11,229	11,229
Deposits	2,000	2,175	1,844	2,142
Prepayments	0	51	0	51
	43,831	60,445	40,206	55,530

Credit terms of trade receivables range from 30 to 90 days. All trade receivables and other receivables are denominated in Ringgit Malaysia.

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.

The Group's exposure to fluctuation in foreign currency is limited due to the forward contract entered into by the Group as disclosed in Note 30.

19 Amounts Due From/(To) Subsidiary Companies

	Company	
	2009 RM'000	2008 RM'000
Amounts due from subsidiary companies	6,048	1,538
Less: Allowance for amount due from a subsidiary company	(1,152)	(1,152)
	4,896	386
Amounts due to subsidiary companies	(26,147)	(33,434)

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

20 Cash and Cash Equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	20,134	47,500	20,134	47,500
Bank and cash balances	8,293	11,266	6,252	8,822
	28,427	58,766	26,386	56,322

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 rates that were effective as at the balance sheet date were as follows:

	Group and Company	
	2009 % per annum	2008 % per annum
Bank balances and deposits	1.75	2.85

Deposits with licensed banks of the Group and of the Company have an average maturity period of 1 day (2008: 2 days).

21 Provisions for Liabilities and Charges

Group	Service and warranty RM'000	Retrenchment/ voluntary separation benefits RM'000	Others RM'000	Total RM'000
At 1 January 2009	822	14	555	1,391
Additional provisions	31	0	197	228
Unused amounts reversed	(167)	(14)	(240)	(421)
Credited to income statement	(136)	(14)	(43)	(193)
Utilised during the year	(14)	0	(221)	(235)
At 31 December 2009	672	0	291	963
At 1 January 2008	1,933	1,000	35	2,968
Additional provisions	481	5,485	530	6,496
Unused amounts reversed	(281)	0	(10)	(291)
Charged to income statement	200	5,485	520	6,205
Utilised during the year	(256)	(5,971)	0	(6,227)
Disposal of subsidiaries (Note 26)	(1,055)	(500)	0	(1,555)
At 31 December 2008	822	14	555	1,391

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

21 Provisions for Liabilities and Charges (continued)

Company	Service and warranty RM'000	Retrenchment/ voluntary separation benefits RM'000	Others RM'000	Total RM'000
At 1 January 2009	710	14	535	1,259
Additional provisions	31	0	178	209
Unused amounts reversed	(90)	(14)	(240)	(344)
Credited to income statement	(59)	(14)	(62)	(135)
Utilised during the year	(14)	0	(220)	(234)
At 31 December 2009	637	0	253	890
At 1 January 2008	1,742	1,000	25	2,767
Additional provisions	480	5,485	510	6,475
Unused amounts reversed	(1,262)	(500)	0	(1,762)
(Credited)/charged to income statement	(782)	4,985	510	4,713
Utilised during the year	(250)	(5,971)	0	(6,221)
At 31 December 2008	710	14	535	1,259

Service and warranty

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

Retrenchment/voluntary separation benefits

As a result of anticipated restructuring undertaken to align the work force to the new business environment, the Group had established a provision for retrenchment benefit. The provision was based on estimated costs required to compensate the redundant work force. The exercise was completed in the previous financial year.

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.

22 Trade and Other Payables

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	71,815	93,900	67,834	87,516
Trade accruals	11,748	12,932	10,628	11,588
	83,563	106,832	78,462	99,104

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

23 Borrowings (Unsecured)

	Group and Company	
	2009 RM'000	2008 RM'000
Current		
Bankers acceptance	30,000	0

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
2009				
Unsecured				
Bankers acceptance	2.41%	RM	30,000	30,000

24 Share Capital

	Group and Company			
	2009 '000	2009 RM'000	2008 '000	2008 RM'000
Ordinary shares of RM1 each				
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

25 Retained Profits

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007. As at 31 December 2009, the Company has sufficient tax credits in the Section 108 to pay franked dividends amounting to RM19,079,000 (2008: RM91,312,000) out of its retained profits. If the balance of the retained profits were to be distributed as dividends, the Company may distribute such dividends under the single-tier system.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

26 Cash Flow From Operations

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit for the year	28,129	46,785	37,999	40,984
Adjustments for:				
Property, plant and equipment:				
– depreciation (Note 11)	5,031	5,846	4,846	5,486
– gain on disposal (Note 8)	(64)	(11,645)	(63)	(11,833)
– impairment (Note 11)	474	18	474	18
Amortisation of leasehold land use rights (Note 12)	227	227	227	227
Revaluation deficit of properties (Note 8)	0	2,154	0	2,154
Interest income (Note 8)	(1,095)	(1,301)	(1,095)	(1,301)
Finance cost	509	769	509	719
Provisions	(179)	720	(121)	(272)
Gain on disposal of subsidiaries	0	(500)	0	(299)
Dividends (gross) from subsidiary companies (Note 8)	0	0	(14,027)	0
Provision of retrenchment/voluntary separation benefits	(14)	5,485	(14)	4,985
Dividend income (Note 8)	(11,229)	(11,229)	(11,229)	(11,229)
Income from investment (Note 8)	0	(18,714)	0	(18,714)
Share of results of an associated company	9	(127)	0	0
Tax expense	8,357	794	11,484	366
	2,026	(27,503)	(9,009)	(29,693)
	30,155	19,282	28,990	11,291
Changes in working capital:				
Inventories	7,969	27,275	8,779	22,797
Receivables	16,614	7,364	15,324	9,290
Payables	(22,646)	72,753	(20,629)	64,780
Subsidiary companies' balances	0	0	(11,797)	50,103
	1,937	107,392	(8,323)	146,970
Net cash flow from operations	32,092	126,674	20,667	158,261

Disposal of subsidiaries

Subsidiaries disposed by the Group during the previous financial year ended 31 December 2008 were as follows:

Name of subsidiaries	Group's effective interest disposed %
Hercules Automotive Engineers Sendirian Berhad	100
Asia Automobile Industries Sendirian Berhad	100
Cycle & Carriage Parts and Accessories Sdn Bhd	100
Cycle & Carriage Motors Sdn Bhd	100

26 Cash Flow From Operations (continued)

Details of the assets, liabilities and net cash inflow arising from the disposal of subsidiaries were as follows:

	Group RM'000
Property, plant and equipment (Note 11)	3,250
Inventories	20,645
Trade and other receivables	17,149
Bank balances and deposits	1,931
Trade and other payables	(7,287)
Provision for liabilities and charges (Note 21)	(1,555)
Borrowings (unsecured)	(9,521)
Net assets disposed	24,612
Less: Net proceeds from disposal	(25,112)
Gain on disposal of subsidiaries	500
<hr/>	
Cash consideration for the disposal	25,112
Less: Cash and cash equivalents of subsidiaries disposed	(1,931)
Net cash inflow on disposal of subsidiaries	23,181

27 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
		2009 %	2008 %	
Subsidiary companies				
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.
Srisari Sdn. Bhd.	0*	100	100	Assembly of engines. The company ceased assembly in year 2005 and remained dormant (see note 7(l)(b)).
Selecsama Sdn. Bhd. (formerly known as Cycle & Carriage Automobiles Sendirian Berhad)	5,000	100	100	The Company commenced operation of sales of spare parts and servicing of vehicles during the financial year.
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. The company ceased its operation in year 2008 and remained dormant.
Associated company				
CCL Group Properties Sdn Berhad #	59,664	40	40	Property investment.

* Issued share capital of RM2

Under members voluntary liquidation

28 Gain on Disposal of Properties

	Group and Company	
	2009 RM'000	2008 RM'000
Leasehold land use rights and freehold land and building	0	7,742
Investment property	0	4,718
	0	12,460

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

29 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) With subsidiary companies:				
Transfer of motor vehicles and prepaid sales tax to a subsidiary	0	0	44,032	33,344
Transfer of motor vehicles and prepaid sales tax from a subsidiary	0	0	(30,083)	(33,425)
Sales of motor vehicles, goods and services	0	0	411	2,430
Receipt of rental	0	0	420	819
Receipt of management fees	0	0	317	2,305
(b) With an associated company:				
Interim capital distribution	0	450	0	450
(c) With directors/companies related to directors:				
Sales of motor vehicles to:				
– Peremba (Malaysia) Sdn Bhd	0	723	0	723
– Syed Zaid bin Syed Jaffar Albar	0	511	0	511
(d) With substantial shareholders and companies related to substantial shareholders:				
Receipt of rental and miscellaneous income from Mikani Group of Companies	45	429	45	429
Sales of motor vehicle to Jardine Matheson (Malaysia) Sdn. Bhd.	325	0	325	0
Payment of group service charge to Jardine Cycle & Carriage Limited	(396)	(374)	(396)	(374)
Payment of HR services and IT services to Cycle & Carriage Industries Pte Limited	(83)	(192)	(83)	(192)
Payment of insurance premiums to Jardine Lloyd Thompson Sdn Bhd	(175)	(918)	(175)	(918)
Purchase of parts from:				
– PT Astra Otoparts Tbk	0	(13)	0	0
– Diplomat Parts Pte Ltd	0	(899)	0	0
Payment of computer software and peripherals to Jardine OneSolution (2001) Sdn Bhd	(271)	(391)	(271)	(391)
Payment to Jardine Matheson & Co., Ltd:				
– Consultancy and course fees	0	(61)	0	(61)
– Group internal audit	(255)	(240)	(255)	(240)
Payment of professional services rendered from Jardine Matheson (Malaysia) Sdn. Bhd.	(196)	0	(196)	0
(e) Remuneration of key management personnel of the Group:				
Salaries and other short term employee benefits	(1,685)	(3,680)	(1,685)	(3,680)

29 Significant Related Party Disclosures (continued)

Relationships with the above related parties are as follows:

Related party	Relationship
Syed Zaid bin Syed Jaffar Albar	Former director of the Company.
Jardine Cycle & Carriage Limited	The holding company of the Company.
PT Astra Otoparts Tbk, Cycle & Carriage Industries Pte Limited, Diplomat Parts Pte Ltd	Subsidiaries of Jardine Cycle & Carriage Limited, the holding company of the Company.
Jardine Matheson & Co., Ltd, Jardine OneSolution (2001) Sdn Bhd, Jardine Lloyd Thompson Sdn Bhd, and Jardine Matheson (Malaysia) Sdn. Bhd.	Companies related to Jardine Matheson Holdings Limited, the ultimate holding company of the Company.
Peremba (Malaysia) Sdn Bhd	A company in which Datuk Hassan Abas, a former director of the Company is also a director.
Mikani Group of Companies	Companies in which Steven Gareth Foster, a former director of the Company is also a director.

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

30 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 assets related to sale of stocks based on confirmed orders.

The local currency amount to be received and contractual exchange rates of the outstanding contract is as follows:

	Group and Company	
	2009 RM'000	2008 RM'000
Singapore Dollar – at rates averaging 1 SGD = RM2.4340	1,664	0
Fair value at 31 December (unfavourable net position)	9	0

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

31 Contingent Liabilities (Unsecured)

- At 31 December 2009, the Group and the Company had contingent liabilities in respect of various legal claims against the Company amounting to RM4,462,000 (2008: RM4,858,000). 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 the Company.
- At 31 December 2009, 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 Mercedes-Benz Malaysia Sdn Bhd ("MBM") in respect of those former employees who opted to join MBM in December 2002 amounting to RM2,800,000 (2008: RM2,800,000).

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For the financial year ended 31 December 2009

31 Contingent Liabilities (Unsecured) (continued)

- (c) At 31 December 2009, 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”) in respect of those former employees who opted to join HSA in December 2005 amounting to RM620,000 (2008: RM620,000).

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 matter went on trial and the court has decided in favour of the Company. Hup Lee has filed an appeal to the Court of Appeal. Based on legal advice, the directors believe that the Company has a reasonable chance of succeeding and accordingly, no provision has been made in the financial statements for this claim.

32 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.
- Others – property investment through an associated company, CCL Group Properties Sdn Berhad (under members voluntary liquidation).

Continuing Operations

	Automobile industry RM’000	Investment RM’000	Others RM’000	Total RM’000
2009				
Revenue	466,320	0	0	466,320
Results:				
Segment results	19,794	11,229	0	31,023
Finance cost	(509)	0	0	(509)
Share of results of an associated company	0	0	(9)	(9)
				30,505
Tax expense (Note 6)				(6,862)
Net profit				23,643
Net assets:				
Segment assets	194,884	77,232	0	272,116
Investment in an associated company	0	0	195	195
Unallocated assets				1,269
				273,580
Segment liabilities	114,526	0	0	114,526
Unallocated liabilities				934
				115,460
Other information:				
Capital expenditure	1,201	0	0	1,201
Depreciation and amortisation	5,258	0	0	5,258

32 Segment Reporting (continued)

Discontinued Operations

	Automobile industry RM'000	Investment RM'000	Others RM'000	Total RM'000
2009				
Revenue	0	0	0	0
Results:				
Segment results	5,981	0	0	5,981
Tax expense (Note 6)	(1,495)	0	0	(1,495)
Net profit (Note 7(l))				4,486
Net assets:				
Segment assets				0
Segment liabilities				0
Other information:				
Capital expenditure	0	0	0	0
Depreciation and amortisation	0	0	0	0

Continuing Operations

2008				
Revenue	513,090	0	0	513,090
Results:				
Segment results	17,966	29,943	0	47,909
Finance cost	(719)	0	0	(719)
Share of results of an associated company	0	0	127	127
				47,317
Tax expense (Note 6)				(688)
Net profit				46,629
Net assets:				
Segment assets	254,430	77,232	0	331,662
Investment in an associated company	0	0	204	204
Unallocated assets				3,877
				335,743
Segment liabilities	107,251	0	0	107,251
Unallocated liabilities				126
				107,377
Other information:				
Capital expenditure	2,333	0	0	2,333
Depreciation and amortisation	5,881	0	0	5,881

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32 Segment Reporting (continued)

Discontinued Operations

	Automobile industry RM'000	Investment RM'000	Others RM'000	Total RM'000
2008				
Revenue	43,717	0	0	43,717
Results:				
Segment results	312	0	0	312
Finance cost	(50)	0	0	(50)
Tax expense (Note 6)	(106)	0	0	(106)
Net profit (Note 7(l))				156
Net assets:				
Segment assets	823	0	0	823
Segment liabilities	972	0	0	972
Other information:				
Capital expenditure	3,056	0	0	3,056
Depreciation and amortisation	192	0	0	192

33 Commitments

(a) Capital commitments

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment				
– Approved and contracted	25	69	25	32

(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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Not later than 1 year	4,095	4,388	3,505	4,254
Later than 1 year and not later than 5 years	4,690	6,509	4,290	6,500
	8,785	10,897	7,795	10,754

34 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 February 2010.