

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 1 General Information

Cycle & Carriage Bintang Berhad (“the Company”) is a limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The immediate and ultimate holding companies of the Company are Jardine Cycle & Carriage Limited, a company incorporated in Singapore and Jardine Matheson Holdings Limited, a company incorporated in Bermuda respectively.

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 have been no significant changes in the nature of these activities during the financial year.

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, cash flow risk and foreign currency exchange 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 appropriate credit worthiness and where necessary are partially backed by bank guarantees.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group’s exposure to credit risk arising from trade receivables are set out in Note 18.

#### 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.

#### Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern while seeking to maximise benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated statement of financial position plus net debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 2 Financial Risk Management Objectives and Policies (continued)

### Capital management (continued)

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying business performance divided by net financing charges. The ratios are monitored by corporate management. The Group does not have a defined gearing or interest cover benchmark or range.

The gearing ratio at 31 December 2010 and 2009 were as follows:

Group	2010	2009
Gearing ratio	#	1%
Interest cover (times)	139	73

# Not applicable due to net cash position

### Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk when enter into transactions that are not denominated in their functional currency. The Group manages their exposure to foreign currency exchange risk through the use of foreign currency forward contracts.

## 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.

### (b) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of fair value less costs to sell or value-in-use calculations prepared on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rates in the cash flow projections, could materially affect the value-in-use calculations.

### (c) 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 unutilised tax losses can be utilised. The outcome of their actual utilisation may be different.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sales of motor vehicles and spare parts	571,146	446,253	509,300	397,730
Servicing of motor vehicles	18,100	20,067	15,841	17,613
	<b>589,246</b>	<b>466,320</b>	<b>525,141</b>	<b>415,343</b>

### 5 Directors' Remuneration

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

Group and Company	2010 RM'000	2009 RM'000
Non-executive Directors:		
– fees	335	337

### 6 Income Tax Expense

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Continuing Operations</b>				
Current tax	7,759	5,291	7,387	8,514
Deferred tax (Note 16)	464	1,571	451	1,475
	<b>8,223</b>	<b>6,862</b>	<b>7,838</b>	<b>9,989</b>
<b>Discontinued Operations</b>				
Current tax	0	1,495	0	1,495
<b>Continuing Operations</b>				
Current tax:				
– profit for the financial year	6,892	5,538	6,451	8,765
– under/(over) accrual in prior years (net)	867	(247)	936	(251)
Deferred tax:				
– origination and reversal of temporary differences (Note 16)	464	1,571	451	1,475
	<b>8,223</b>	<b>6,862</b>	<b>7,838</b>	<b>9,989</b>
<b>Discontinued Operations</b>				
Current tax:				
– profit for the financial year	0	1,495	0	1,495

## 6 Income Tax Expense (continued)

The effective income tax rates of the Group and of the Company differ from the prevailing statutory income tax rate of 25% (2009: 25%) due to the following:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Statutory Malaysian income tax rate	25	25	25	25
Tax effects of:				
– expenses not deductible for income tax purposes	4	3	4	3
– income not subject to tax	(8)	(5)	(8)	(5)
– prior year under/(over) provision	2	(1)	2	(1)
– others	0	1	0	1
Average effective income tax rate	23	23	23	23

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

### (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 its automobile industry business segment.

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other income excluding tax	0	6,497	0	6,497
Expenses excluding tax	0	(516)	0	(516)
Profit before tax	0	5,981	0	5,981
Tax expense	0	(1,495)	0	(1,495)
Profit after tax	0	4,486	0	4,486

The other income for the financial year ended 31 December 2009 was in respect of the duty drawback received.

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Operating activities	0	5,981	0	5,981

### (b) Non-current assets held for sale

Property, plant and equipment	0	0	0	0
At 1 January	0	250	0	250
Disposals	0	(250)	0	(250)
At 31 December	0	0	0	0

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 8 Net Profit for the Financial Year

(a) Expenses by nature:

	Group		Company	
	2010 RM'000	Restated 2009 RM'000	2010 RM'000	Restated 2009 RM'000
Defined contribution pension plan	<b>3,193</b>	2,989	<b>2,761</b>	2,648
Salaries, bonuses and other employee benefits costs	<b>28,457</b>	23,880	<b>25,446</b>	21,511
Write-down of inventories	<b>393</b>	1,842	<b>322</b>	1,751
Reversal of write-down of inventories				
made in previous financial year (Note 17)	<b>(754)</b>	(764)	<b>(724)</b>	(702)
Costs of inventories/materials/consumables	<b>515,529</b>	402,802	<b>459,677</b>	357,630
Demonstration car expenses	<b>2,994</b>	3,005	<b>2,723</b>	2,722
Depreciation of property, plant and equipment (Note 11)	<b>4,192</b>	5,215	<b>3,904</b>	5,030
Impairment of property, plant and equipment (Note 11)	<b>28</b>	474	<b>28</b>	474
Utilities	<b>2,148</b>	2,098	<b>1,921</b>	1,925
Repairs and maintenance	<b>1,889</b>	1,653	<b>1,716</b>	1,540
Delivery, packing and travelling	<b>1,525</b>	1,212	<b>1,248</b>	1,031
Advertising, marketing and promotion	<b>1,696</b>	1,967	<b>1,538</b>	1,747
Leasing of equipment	<b>832</b>	818	<b>735</b>	714
Directors' fees	<b>335</b>	337	<b>335</b>	337
Auditors' remuneration <sup>®</sup>	<b>532</b>	279	<b>471</b>	221
Credit card charges	<b>553</b>	584	<b>493</b>	524
Printing and stationery	<b>377</b>	372	<b>332</b>	325
Company car expenses	<b>895</b>	787	<b>814</b>	744
Legal and professional fees	<b>1,434</b>	1,593	<b>1,425</b>	1,541
Security guard expenses	<b>786</b>	807	<b>686</b>	743
Rent for land and buildings	<b>4,069</b>	4,297	<b>3,601</b>	4,197
Other expenses	<b>3,085</b>	1,569	<b>1,901</b>	1,410
<b>Total expenses*</b>	<b>574,188</b>	457,816	<b>511,353</b>	408,063

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

<sup>®</sup> The following information relates to remuneration of auditors of the Group and of the Company during the financial year:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>PricewaterhouseCoopers Malaysia</b>				
Statutory audit	<b>236</b>	211	<b>189</b>	172
Fees for other services:				
– non-statutory audit related services	<b>142</b>	24	<b>142</b>	24
– tax advisory and compliance work	<b>154</b>	44	<b>140</b>	25
<b>Total remuneration</b>	<b>532</b>	279	<b>471</b>	221

## 8 Net Profit for the Financial Year (continued)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Dividend income from available-for-sale investment (Note 25)	<b>11,229</b>	11,229	<b>11,229</b>	11,229
Dividend income from subsidiary companies (Note 25)	<b>0</b>	0	<b>0</b>	14,027
Gain on disposal of plant and equipment (Note 25)	<b>11</b>	64	<b>10</b>	63
Interest income (Note 25)	<b>604</b>	1,095	<b>604</b>	1,095
Insurance commission income	<b>1,768</b>	1,576	<b>1,660</b>	1,493

## 9 Dividends

Dividends declared or proposed in respect of the financial years ended 31 December 2010 and 2009 are as follows:

Group and Company	2010		2009	
	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	<b>5</b>	<b>3,778</b>	5	3,778
Special dividend paid	<b>0</b>	<b>0</b>	120	90,670
Final dividend proposed	<b>5</b>	<b>3,778</b>	5	3,778
	<b>10</b>	<b>7,556</b>	130	98,226

At the forthcoming Annual General Meeting on 20 April 2011, a final gross dividend in respect of the financial year ended 31 December 2010 of 5 sen per ordinary share (2009: 5 sen per share), less income tax at 25%, amounting to RM3,778,000 (2009: 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 2011 when approved by shareholders of the Company.

## 10 Earnings Per Share

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

Group	2010	Restated 2009
Net profit for the financial year attributable to shareholders of the Company (RM'000)	<b>26,776</b>	28,172
Weighted average number of ordinary shares in issue ('000)	<b>100,745</b>	100,745
Basic earnings per share (sen)	<b>26.58</b>	27.96
Profit attributable to shareholders of the Company from continuing operations (RM'000)	<b>26,776</b>	23,686
Basic earnings per share from continuing operations (sen)	<b>26.58</b>	23.51

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

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### 11 Property, Plant and Equipment

Group	Land		Buildings RM'000	Plant and machinery RM'000	Motor vehicles, equipment and fixtures RM'000	Total RM'000
	Freehold RM'000	Leasehold RM'000				
<b>2010</b>						
Net book value at 1 January						
– as previously reported	30,150	0	29,962	1,297	7,455	68,864
– effect of change in accounting policy	(7,591)	0	(1,106)	0	0	(8,697)
– effect of amendment to FRS 117 (Note 12)	0	11,391	0	0	0	11,391
As restated	22,559	11,391	28,856	1,297	7,455	71,558
Additions	0	0	0	604	574	1,178
Disposals	0	0	0	(3)	(67)	(70)
Depreciation charge (Note 8)	0	(228)	(1,343)	(585)	(2,036)	(4,192)
Impairment loss (Note 8)	0	0	0	0	(28)	(28)
Net book value at 31 December	22,559	11,163	27,513	1,313	5,898	68,446
At cost	22,559	13,762	43,072	8,874	25,190	113,457
Accumulated depreciation	0	(2,599)	(13,340)	(7,547)	(18,879)	(42,365)
Accumulated impairment losses	0	0	(2,219)	(14)	(413)	(2,646)
Net book value at 31 December	22,559	11,163	27,513	1,313	5,898	68,446
<b>2009</b>						
Net book value at 1 January	30,150	0	31,137	1,295	10,642	73,224
– effect of amendment to FRS 117 (Note 12)	0	11,618	0	0	0	11,618
– effect of change in accounting policy (see accounting policy C)	(7,591)	0	(1,149)	0	0	(8,740)
As restated	22,559	11,618	29,988	1,295	10,642	76,102
Additions	0	0	268	466	467	1,201
Disposals	0	0	0	0	(56)	(56)
Depreciation charge, restated (Note 8)	0	(227)	(1,313)	(462)	(3,213)	(5,215)
Impairment loss (Note 8)	0	0	(87)	(2)	(385)	(474)
Net book value at 31 December	22,559	11,391	28,856	1,297	7,455	71,558
At cost	22,559	13,762	43,072	8,497	25,321	113,211
Accumulated depreciation	0	(2,371)	(11,997)	(7,186)	(17,481)	(39,035)
Accumulated impairment losses	0	0	(2,219)	(14)	(385)	(2,618)
Net book value at 31 December	22,559	11,391	28,856	1,297	7,455	71,558

**11 Property, Plant and Equipment** (continued)

Company	Land		Buildings RM'000	Plant and machinery RM'000	Motor vehicles, equipment and fixtures RM'000	Total RM'000
	Freehold RM'000	Leasehold RM'000				
<b>2010</b>						
Net book value at 1 January						
– as previously reported	30,150	0	29,738	679	7,171	67,738
– change in accounting policy	(6,591)	0	(1,087)	0	0	(7,678)
– effect of amendment to FRS 117 (Note 12)	0	13,246	0	0	0	13,246
As restated	23,559	13,246	28,651	679	7,171	73,306
Additions	0	0	0	447	543	990
Disposals	0	0	0	(3)	(55)	(58)
Depreciation charge (Note 8)	0	(229)	(1,284)	(479)	(1,912)	(3,904)
Impairment loss (Note 8)	0	0	0	0	(28)	(28)
Net book value at 31 December	23,559	13,017	27,367	644	5,719	70,306
At cost	23,929	15,554	43,293	5,558	23,905	112,239
Accumulated depreciation	0	(2,537)	(12,502)	(4,900)	(17,773)	(37,712)
Accumulated impairment losses	(370)	0	(3,424)	(14)	(413)	(4,221)
Net book value at 31 December	23,559	13,017	27,367	644	5,719	70,306
2009						
Net book value at 1 January						
– effect of amendment to FRS 117 (Note 12)	0	13,473	0	0	0	13,473
– effect of change in accounting policy (see accounting policy C)	(6,591)	0	(1,130)	0	0	(7,721)
As restated	23,559	13,473	30,007	1,065	10,355	78,459
Additions	0	0	35	47	376	458
Disposals	0	0	0	0	(107)	(107)
Depreciation charge, restated (Note 8)	0	(227)	(1,304)	(431)	(3,068)	(5,030)
Impairment loss (Note 8)	0	0	(87)	(2)	(385)	(474)
Net book value at 31 December	23,559	13,246	28,651	679	7,171	73,306
At cost	23,929	15,554	43,293	5,326	24,024	112,126
Accumulated depreciation	0	(2,308)	(11,218)	(4,633)	(16,468)	(34,627)
Accumulated impairment losses	(370)	0	(3,424)	(14)	(385)	(4,193)
Net book value at 31 December	23,559	13,246	28,651	679	7,171	73,306

**12 Leasehold Land Use Rights**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	11,391	11,618	13,246	13,473
Effect of amendment to FRS 117:				
Transfer to property, plant and equipment (Note 11)	(11,391)	(11,618)	(13,246)	(13,473)
At 31 December	0	0	0	0

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### 13 Investments in Subsidiary Companies

Company	2010 RM'000	2009 RM'000
Unquoted investments at cost	<b>50,185</b>	50,185
Less: Allowance for accumulated impairment losses	<b>(18,571)</b>	(18,531)
	<b>31,614</b>	31,654

A list of subsidiary companies is set out in Note 26.

### 14 Investment in an Associated Company

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted investment at cost	<b>112,732</b>	112,732	<b>112,732</b>	112,732
Less: Allowance for accumulated impairment losses	<b>0</b>	0	<b>(27,161)</b>	(27,561)
Less: Interim capital distribution received	<b>(79,445)</b>	(79,045)	<b>(79,445)</b>	(79,045)
Less: Dividend from pre-acquisition profit	<b>(6,126)</b>	(6,126)	<b>(6,126)</b>	(6,126)
	<b>27,161</b>	27,561	<b>0</b>	0
Share of accumulated losses and reserves of associated company	<b>(20,446)</b>	(20,651)	<b>0</b>	0
Less: Goodwill written off	<b>(6,715)</b>	(6,715)	<b>0</b>	0
Interest in associated company	<b>0</b>	195	<b>0</b>	0

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

	2010 RM'000	2009 RM'000
Current assets	<b>147</b>	583
Current liabilities	<b>(147)</b>	(388)
Share of attributable net assets	<b>0</b>	195
Profit/(loss) after tax	<b>205</b>	(9)

The details of the associated company are set out in Note 26.

### 15 Available-For-Sale Investment

The available-for-sale investment 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 2010, the Group recognised a dividend income of RM11.2 million (2009: RM11.2 million).

The fair value of the investment in MBM at 31 December 2010 is RM73,135,000 (1 January 2010: RM76,223,000). In determining the fair value, the directors have discounted the future contractual cash flows (dividends receivable) 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. The pre-tax discount rate applicable for the financial year is 10%.

## 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 statement of financial position:

	Group		Company	
	2010 RM'000	Restated 2009 RM'000	2010 RM'000	Restated 2009 RM'000
Deferred tax assets	<b>879</b>	1,343	<b>835</b>	1,286
At 1 January				
– as previously reported	<b>1,037</b>	2,608	<b>986</b>	2,461
– effect of change in accounting policy (see accounting policy C)	<b>306</b>	306	<b>300</b>	300
– as restated	<b>1,343</b>	2,914	<b>1,286</b>	2,761
(Charged)/credited to statement of comprehensive income (Note 6):				
– property, plant and equipment	<b>(57)</b>	(1,774)	<b>(35)</b>	(1,770)
– provisions	<b>(401)</b>	452	<b>(393)</b>	443
– allowance for slow moving inventory	<b>(6)</b>	(103)	<b>(23)</b>	(21)
– others	<b>0</b>	(146)	<b>0</b>	(127)
	<b>(464)</b>	(1,571)	<b>(451)</b>	(1,475)
At 31 December	<b>879</b>	1,343	<b>835</b>	1,286
Subject to income tax:				
Deferred tax assets (before offsetting)				
Provisions	<b>506</b>	907	<b>468</b>	861
Allowance for slow moving inventory	<b>530</b>	536	<b>468</b>	491
	<b>1,036</b>	1,443	<b>936</b>	1,352
Offsetting	<b>(157)</b>	(100)	<b>(101)</b>	(66)
Deferred tax assets (after offsetting)	<b>879</b>	1,343	<b>835</b>	1,286
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	<b>157</b>	100	<b>101</b>	66
Offsetting	<b>(157)</b>	(100)	<b>(101)</b>	(66)
Deferred tax liabilities (after offsetting)	<b>0</b>	0	<b>0</b>	0

Subject to agreement with the Inland Revenue Board, the amount of deductible temporary differences and unutilised tax losses (both of which have no expiry date) for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deductible temporary differences	<b>603</b>	517	<b>0</b>	0
Unutilised tax losses	<b>6,485</b>	6,235	<b>0</b>	0

## 17 Inventories

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Motor vehicles	<b>38,996</b>	45,095	<b>34,590</b>	40,748
Spare parts	<b>6,618</b>	8,505	<b>5,980</b>	7,703
	<b>45,614</b>	53,600	<b>40,570</b>	48,451

The Group and the Company reversed RM754,000 and RM724,000 (2009: RM764,000 and RM702,000) (Note 8) respectively in respect of part of inventory write-down made in prior financial year that were subsequently not required as the Group and the Company were able to sell these inventories at values above their carrying amounts.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 18 Trade and Other Receivables

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	27,931	44,322	24,922	41,090
Less: Allowance for impairment	(179)	(15,218)	(175)	(15,216)
	<b>27,752</b>	29,104	<b>24,747</b>	25,874
Warranty claims receivables	1,740	1,998	1,606	1,707
Less: Allowance for impairment	(626)	(500)	(582)	(448)
	<b>1,114</b>	1,498	<b>1,024</b>	1,259
Dividend receivable	11,229	11,229	11,229	11,229
Deposits	1,993	2,000	1,832	1,844
Others	163	0	156	0
Amounts due from subsidiary companies	0	0	2,578	6,048
Less: Allowance for impairment	0	0	(1,152)	(1,152)
	<b>0</b>	0	<b>1,426</b>	4,896
	<b>42,251</b>	43,831	<b>40,414</b>	45,102

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 trade 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 29.

The amounts due from subsidiary companies are, unsecured, interest free and are repayable upon demand.

All trade receivables and other receivables are denominated in Ringgit Malaysia.

The ageing analysis of the trade receivables and warranty claims receivables is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Neither past due nor impaired	21,960	20,978	19,488	18,640
Past due but not impaired:				
Below 30 days	2,809	3,566	2,610	3,179
31 to 60 days	1,587	2,615	1,416	2,232
61 to 90 days	1,256	1,325	1,143	1,271
Over 90 days	112	621	90	551
	<b>5,764</b>	8,127	<b>5,259</b>	7,233
Impaired	1,947	17,215	1,781	16,924
	<b>29,671</b>	46,320	<b>26,528</b>	42,797

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group's trade receivables are arising from sales to reputable public listed company, finance company, bank, government or semi-government institution.

**18 Trade and Other Receivables** (continued)

Trade receivables that are individually determined to be impaired at the reporting date relate to disputed debts or under legal action and debts that have past due more than 90 days. These receivables are not secured by any collateral or credit enhancement.

Warranty claims receivables are individually determined to be impaired at the reporting date based on the average rejection rate of 1.0% (2009: 1.0%).

Movements in the allowance for impairment of trade receivables and warranty claims receivables:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	15,718	15,972	15,664	15,777
Allowance made during the financial year	250	205	256	162
Written off during the financial year	(15,163)	(459)	(15,163)	(275)
At 31 December	805	15,718	757	15,664

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the statement of financial position date is the carrying value of each class of receivable mentioned above. Where necessary, the Group would request for bank guarantees as collaterals.

**19 Cash and Cash Equivalents**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits with licensed banks	38,860	20,134	38,860	20,134
Bank and cash balances	8,586	8,293	6,877	6,252
	47,446	28,427	45,737	26,386

Cash and cash equivalents 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 statement of financial position date are as follows:

Group and Company	2010	2009
	% per annum	% per annum
Deposits with licensed banks	2.13	1.75

Deposits with licensed banks of the Group and of the Company have an average maturity period of 1 day (2009: 1 day).

**20 Provisions for Liabilities and Charges**

Group	Service and warranty RM'000	Legal claims RM'000	Total RM'000
At 1 January 2010	672	291	963
Additional provisions during financial year	0	290	290
Unused amounts reversed	0	(261)	(261)
Charged to statement of comprehensive income	0	29	29
Utilised during the financial year	(1)	0	(1)
At 31 December 2010	671	320	991

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

Group	Service and warranty RM'000	Retrenchment/ voluntary separation benefits RM'000	Legal claims 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 statement of comprehensive income	(136)	(14)	(43)	(193)
Utilised during the financial year	(14)	0	(221)	(235)
At 31 December 2009	672	0	291	963

Company	Service and warranty RM'000	Retrenchment/ voluntary separation benefits RM'000	Legal claims RM'000	Total RM'000
At 1 January 2010		637	253	890
Additional provisions		0	290	290
Unused amounts reversed		0	(253)	(253)
Credited to statement of comprehensive income		0	37	37
Utilised during the financial year		(1)	0	(1)
At 31 December 2010		636	290	926

Company	Service and warranty RM'000	Retrenchment/ voluntary separation benefits RM'000	Legal claims 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 statement of comprehensive income	(59)	(14)	(62)	(135)
Utilised during the financial year	(14)	0	(220)	(234)
At 31 December 2009	637	0	253	890

#### 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.

#### Legal claims

The provision made represents 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.

### 21 Trade and Other Payables

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	82,830	71,815	73,614	67,834
Trade accruals	17,447	11,748	16,315	10,628
Amounts due to subsidiary companies	0	0	29,725	26,147
	100,277	83,563	119,654	104,609

Credit terms of trade payables granted to the Group and the Company vary from 30 to 90 days.

The amounts due to subsidiary companies are denominated in Ringgit Malaysia, unsecured, interest free and are repayable upon demand.

All trade payables and accruals are denominated in Ringgit Malaysia.

## 22 Borrowings (Unsecured)

Group and Company	2010 RM'000	2009 RM'000
<b>Current</b>		
Bankers acceptance	0	30,000

Bank borrowings are denominated in Ringgit Malaysia.

## 23 Share Capital

Group and Company	2010		2009	
	'000	RM'000	'000	RM'000
<b>Ordinary shares of RM1 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

## 24 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 2010, the Company has sufficient tax credits in the Section 108 to pay franked dividends amounting to RM9,005,000 (2009: RM19,079,000) 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.

## 25 Net Cash Flow From Operations

	Group		Company	
	2010 RM'000	Restated 2009 RM'000	2010 RM'000	Restated 2009 RM'000
Net profit for the financial year	26,776	28,172	26,093	38,042
Adjustments for:				
Property, plant and equipment:				
– depreciation	4,192	5,215	3,904	5,030
– gain on disposal (Note 8)	(11)	(64)	(10)	(63)
– impairment	28	474	28	474
Interest income (Note 8)	(604)	(1,095)	(604)	(1,095)
Finance cost	254	509	254	509
Provisions	29	(179)	37	(121)
Dividends (gross) from subsidiary companies (Note 8)	0	0	0	(14,027)
Provision of retrenchment/voluntary separation benefits	0	(14)	0	(14)
Dividend income (Note 8)	(11,229)	(11,229)	(11,229)	(11,229)
Share of results of an associated company	(205)	9	0	0
Tax expense	8,223	8,357	7,838	11,484
Provision for diminution in value of investment on a subsidiary company	0	0	40	0
Interim capital distribution from an associated company	0	0	(400)	0
	677	1,983	(142)	(9,052)
	27,453	30,155	25,951	28,990

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 25 Net Cash Flow From Operations (continued)

	Group		Company	
	2010 RM'000	Restated 2009 RM'000	2010 RM'000	Restated 2009 RM'000
Changes in working capital:				
Inventories	7,986	7,969	7,881	8,779
Receivables	1,580	16,614	1,218	15,324
Payables	16,714	(22,646)	11,467	(20,629)
Subsidiary companies' balances	0	0	7,048	(11,797)
	<b>26,280</b>	1,937	<b>27,614</b>	(8,323)
Net cash flow from operations	<b>53,733</b>	32,092	<b>53,565</b>	20,667

### 26 Subsidiary and Associated Companies

The subsidiary and associated companies, which are all incorporated in Malaysia and directly owned by the Company, are detailed below:

	Issued capital RM'000	Group's share		Principal activities
		2010 %	2009 %	
<b>Subsidiary companies</b>				
Ipoh Motors Sdn Berhad	1,710	100	100	Retailing of motor vehicles, sales of spare parts and servicing of vehicles.
Srisari Sdn. Bhd.	0*	100	100	Assembly of engines. The company ceased assembly in financial year 2005 and remained dormant.
Selecsama Sdn. Bhd.	5,000	100	100	Sales of spare parts and servicing of vehicles.
Cycle & Carriage (Malaysia) Sdn Berhad	31,000	100	100	Retailing of motor vehicles, sales of spare parts, provision of after-sales services and hire purchase financing. The company ceased its operation in financial year 2008 and remained dormant.
<b>Associated company</b>				
CCL Group Properties Sdn Berhad #	59,664	40	40	Property investment.

\* Issued share capital of RM2

# Under members voluntary liquidation

### 27 Related Party Disclosures

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

The related party transactions described below were carried out on terms and conditions agreed by the related parties.

Company	2010 RM'000	2009 RM'000
<b>(a) With subsidiary companies:</b>		
Transfer of motor vehicles and prepaid sales tax to a subsidiary	53,501	44,032
Transfer of motor vehicles and prepaid sales tax from a subsidiary	(57,153)	(30,083)
Sales of motor vehicles, goods and services	182	411
Receipt of rental	420	420
Receipt of management fees	467	317

27 **Related Party Disclosures** (continued)

Company	2010 RM'000	2009 RM'000		
<b>(b) With an associated company:</b>				
Interim capital distribution	<b>400</b>	0		
	<b>Group</b>	<b>Company</b>		
	2010 RM'000	2009 RM'000		
	2010 RM'000	2009 RM'000		
<b>(c) With substantial shareholders and companies related to substantial shareholders:</b>				
Sales of motor vehicles to Jardine Matheson (Malaysia) Sdn. Bhd.	<b>603</b>	325	<b>603</b>	325
Payments to Jardine Cycle & Carriage Limited:				
– Group service charge	<b>(390)</b>	(396)	<b>(390)</b>	(396)
– Insurance premium	<b>(24)</b>	0	<b>(24)</b>	0
Payments of insurance premiums to Jardine Lloyd Thompson Sdn Bhd	<b>(102)</b>	(175)	<b>(102)</b>	(175)
Receipts of subsidy from Jardine Cycle & Carriage Limited	<b>20</b>	0	<b>20</b>	0
Payment of HR services and IT services to Cycle & Carriage Industries Pte Limited	<b>(84)</b>	(83)	<b>(84)</b>	(83)
Purchase of computer software and peripherals from Jardine OneSolution (2001) Sdn Bhd	<b>(698)</b>	(271)	<b>(698)</b>	(271)
Payments of group internal audit fees to Jardine Matheson & Co., Ltd	<b>(230)</b>	(255)	<b>(230)</b>	(255)
Payments of professional services rendered from Jardine Matheson (Malaysia) Sdn. Bhd.	<b>0</b>	(196)	<b>0</b>	(196)
<b>(d) Remuneration of key management personnel of the Group:</b>				
Salaries and other short term employee benefits	<b>(1,785)</b>	(1,685)	<b>(1,785)</b>	(1,685)

Relationships with the above related parties are as follows:

Related party	Relationship
Jardine Cycle & Carriage Limited	The holding company of the Company.
Jardine Matheson & Co., Ltd, Jardine OneSolution (2001) Sdn Bhd, Jardine Lloyd Thompson Sdn Bhd, Jardine Matheson (Malaysia) Sdn. Bhd.	Subsidiary companies of Jardine Matheson Holdings Limited, the ultimate holding company 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 2010

### 28 Contingent Liabilities (Unsecured)

- (a) At 31 December 2010, the Group and the Company had contingent liabilities in respect of various legal claims against the Company amounting to RM2,094,000 (2009: RM4,462,000). 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.
- (b) At 31 December 2010, 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 RM2,600,000 (2009: RM2,800,000). The directors are of the view the likelihood of this event materialising is remote and as such no provision has been made in the financial statements.
- (c) At 31 December 2010, 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 (2009: 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. The directors are of the view the likelihood of this event materialising is remote and as such no provision has been made in the financial statements.

- (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 in December 2009. Hup Lee has filed an appeal to the Court of Appeal in January 2010. 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.

### 29 Financial Instruments

In applying the Group’s risk management strategy, the Group manages its exposure to foreign currency exchange 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 inventory based on confirmed orders.

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

<b>Group and Company</b>	<b>2010 RM’000</b>	<b>2009 RM’000</b>
Singapore Dollar – at rates averaging 1 SGD = RM2.4340	0	1,664
Fair value at 31 December (unfavourable net position)	0	9

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

### 30 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).

<b>Continuing Operations</b>	<b>Automobile Industry RM'000</b>	<b>Investment RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>2010</b>				
Revenue	589,246	0	0	589,246
Results:				
Segment results	23,819	11,229	0	35,048
Finance cost	(254)	0	0	(254)
Share of results of an associated company	0	0	205	205
				<b>34,999</b>
Tax expense (Note 6)				<b>(8,223)</b>
Net profit				<b>26,776</b>
Net assets:				
Segment assets	192,528	84,364	0	276,892
Unallocated assets				1,064
				<b>277,956</b>
Segment liabilities	101,268	0	0	101,268
Unallocated liabilities				607
				<b>101,875</b>
Other information:				
Capital expenditure	1,178	0	0	1,178
Depreciation and amortisation	4,192	0	0	4,192
<b>2009</b>				
Revenue	466,320	0	0	466,320
Results:				
Segment results, restated*	19,837	11,229	0	31,066
Finance cost	(509)	0	0	(509)
Share of results of an associated company	0	0	(9)	(9)
				<b>30,548</b>
Tax expense (Note 6)				<b>(6,862)</b>
Net profit				<b>23,686</b>

\*The restatement relates to a change in accounting policy as stated in accounting policy C.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 30 Segment Reporting (continued)

	Automobile Industry RM'000	Investment RM'000	Others RM'000	Total RM'000
2009				
Net assets:				
Segment assets, restated	186,187	77,232	0	263,419
Investment in an associated company	0	0	195	195
Unallocated assets				1,575
				265,189
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, restated	5,215	0	0	5,215

#### Discontinued Operations

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(a))				4,486

### 31 Commitments

#### (a) Capital commitments

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment				
– Approved and contracted	112	25	112	25

#### (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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Not later than 1 year	3,606	4,095	3,502	3,505
Later than 1 year and not later than 5 years	1,441	4,690	1,430	4,290
	5,047	8,785	4,932	7,795

### 32 Significant Event during the Financial Year

On 23 November 2010, the Company announced that it had entered into a conditional share sale agreement to acquire 100% of Lowe Motors Sdn. Bhd. ("LMSB"), a company incorporated in Malaysia for RM16 million. LMSB is the authorised dealer of Mercedes-Benz in the state of Penang, Malaysia. The acquisition is expected to complete in 2011.

### 33 Supplementary Information Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

The retained profits as at 31 December 2010 is analysed as follow:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Total retained profits of the Cycle & Carriage				
Bintang Berhad and its subsidiaries:				
Realised	<b>40,068</b>	20,250	<b>49,781</b>	30,757
Unrealised	<b>(111)</b>	381	<b>(91)</b>	396
	<b>39,957</b>	20,631	<b>49,690</b>	31,153
Total share of accumulated losses				
from an associated company:				
Realised	<b>(59,664)</b>	(59,436)	<b>0</b>	0
	<b>(19,707)</b>	(38,805)	<b>49,690</b>	31,153
Consolidation adjustments - realised	<b>64,054</b>	63,932	<b>0</b>	0
Total retained profits	<b>44,347</b>	25,127	<b>49,690</b>	31,153