

# STATUTORY FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors submit their Annual Report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2004.

## Principal Activities

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

## Financial Results

|   | Group<br>RM'000 | Company<br>RM'000 |
|---|-----------------|-------------------|
| Profit before tax                       | 25,588          | 60,712            |
| Tax expense                             | (10,766)        | (27,842)          |
| Net profit attributable to shareholders | 14,822          | 32,870            |

## Dividends

The dividends paid or declared by the Company since 31 December 2003 were as follows:

|   | RM'000 |
|---|--------|
| In respect of the financial year ended 31 December 2003, as shown in the Directors' report for the year, final gross dividend of 10 sen per share on 100,744,500 ordinary shares, less income tax, paid on 25 June 2004 | 7,254  |
| In respect of the financial year ended 31 December 2004:  |        |
| Interim gross dividend of 5 sen per share on 100,744,500 ordinary shares, less income tax, paid on 10 September 2004  | 3,627  |
|   | 10,881 |

The directors now recommend the payment of a final gross dividend of 10 sen per share on 100,744,500 ordinary shares, less income tax, amounting to RM7,254,000 which subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on or about 24 June 2005 to shareholders whose names appear in the Company's Register of Members and Record of Depositors on 31 May 2005.

## Reserves and Provisions

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

## Executives' Share Option Scheme (ESOS)

The Company has an Executives' Share Option Scheme (ESOS) which came into effect on 30 June 2000 for a period of 5 years. The ESOS is governed by the by-laws which were approved by the shareholders on 10 May 2000.

Details of the ESOS are set out in Note 24(b) to the financial statements.

Since the implementation of ESOS in 2000, 567,000 (2003: 507,000) ordinary shares were cancelled upon resignation of employees/non-acceptance of offers by employees.

## Directors

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

Tan Sri Abdul Halim bin Ali

Datuk Hassan Abas

Steven Gareth Foster (appointed on 10 March 2004)

Datuk Seri Haji Mohamad bin Haji Hasan (resigned on 10 March 2004)

Tan Sri Abdul Rashid Hussain

Anthony John Liddell Nightingale

Philip Eng Heng Nee (resigned on 2 February 2005)

Dato' Kamaruddin bin Mahmood

Syed Zaid bin Syed Jaffar Albar

Neville Barry Venter

Dato' Khalid bin Haji Ismail

Dato' Sulaiman bin Sujak

Adam Phillip Charles Keswick

Cheah Kim Teck (appointed on 2 February 2005)

Steven Gareth Foster (Alternate to Philip Eng Heng Nee) (ceased to be alternate director on 10 March 2004)

Joshua Lariston Knightley Chetwode (Alternate to Neville Barry Venter)

In accordance with the Company's Articles of Association, Datuk Hassan Abas, Tan Sri Abdul Rashid Hussain and Syed Zaid bin Syed Jaffar Albar retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with the Company's Articles of Association, Cheah Kim Teck retires under casual vacancy at the forthcoming Annual General Meeting and, being eligible, offer himself for election.

In accordance with the Section 129 of the Companies Act 1965, Dato' Sulaiman bin Sujak, being over seventy years of age on 25 March 2005, retires at the forthcoming Annual General Meeting and offers himself for re-election.

## Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the Cycle & Carriage Bintang Berhad Executives' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 6, Note 29(b) and Note 29(e) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

# DIRECTORS' REPORT

## Directors' Interest in Shares

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

|                                  | Number of ordinary shares of RM1 each |          |      |                  |
|----------------------------------|---------------------------------------|----------|------|------------------|
|                                  | At<br>1.1.2004                        | Acquired | Sold | At<br>31.12.2004 |
| Shares in the Company held by:   |                                       |          |      |                  |
| Anthony John Liddell Nightingale | 15,000                                | 0        | 0    | 15,000           |
| Dato' Khalid bin Haji Ismail     | 8,000                                 | 0        | 0    | 8,000            |

|  | Number of ordinary shares of S\$1 each |          |           |                  |
|--|--|----------|-----------|------------------|
|  | At<br>1.1.2004                         | Acquired | Sold      | At<br>31.12.2004 |
| Shares in Jardine Cycle & Carriage Limited ("JCCL") held by: |  |          |           |                  |
| Philip Eng Heng Nee  | 13,333                                 | 402,600  | (273,000) | 142,933          |
| Neville Barry Venter   | 14,000                                 | 160,000  | (174,000) | 0                |

|                          | Options over ordinary shares of S\$1 each |         |           |                  |
|--------------------------|---|---------|-----------|------------------|
|                          | At<br>1.1.2004                            | Granted | Exercised | At<br>31.12.2004 |
| Options in JCCL held by: |   |         |           |                  |
| Philip Eng Heng Nee      | 580,000                                   | 0       | (400,000) | 180,000          |
| Neville Barry Venter     | 320,000                                   | 0       | (160,000) | 160,000          |

|                                     | Number of ordinary shares of S\$1 each |          |      |                  |
|-------------------------------------|--|----------|------|------------------|
|                                     | At<br>1.1.2004                         | Acquired | Sold | At<br>31.12.2004 |
| Shares in MCL Land Limited held by: |  |          |      |                  |
| Philip Eng Heng Nee                 | 35,000                                 | 0        | 0    | 35,000           |

|   | Number of ordinary shares of US\$0.25 each |          |          |                  |
|---|--|----------|----------|------------------|
|   | At<br>1.1.2004                             | Acquired | Sold     | At<br>31.12.2004 |
| Shares in Jardine Matheson Holdings Limited ("JMHL") held by: |  |          |          |                  |
| Anthony John Liddell Nightingale (beneficial)                 | 806,678                                    | 110,000  | 0        | 916,678          |
| Anthony John Liddell Nightingale (non-beneficial)             | 5,056                                      | 154      | 0        | 5,210            |
| Adam Phillip Charles Keswick                                  | 817,654                                    | 24,826   | 0        | 842,480          |
| Adam Phillip Charles Keswick #                                | 26,038,940                                 | 790,626  | 0        | 26,829,566       |
| Steven Gareth Foster  | 0  | 19,000   | (19,000) | 0                |
| Neville Barry Venter  | 0  | 20,000   | (20,000) | 0                |

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

At 31 December 2004, Anthony John Liddell Nightingale, Adam Phillip Charles Keswick and Dato' Khalid bin Haji Ismail had deemed interests in 35,915,991 ordinary shares in JMHL as discretionary objects under the 1947 Trust, the income of which is available for distribution to senior executive officers and employees of JMHL and its wholly owned subsidiaries.

**Directors' Interests in Shares** *(continued)*

Options over ordinary shares of US\$0.25 each

|                                    | At<br>1.1.2004 | Granted | Exercised | At<br>31.12.2004 |
|------------------------------------|----------------|---------|-----------|------------------|
| Options in JMHL held by:           |                |         |           |                  |
| Anthony John Liddell Nightingale   | 190,000        | 0       | (110,000) | 80,000           |
| Neville Barry Venter               | 28,000         | 0       | (20,000)  | 8,000            |
| Dato' Khalid bin Haji Ismail       | 25,000         | 0       | 0         | 25,000           |
| Adam Phillip Charles Keswick       | 50,000         | 100,000 | 0         | 150,000          |
| Steven Gareth Foster               | 35,000         | 0       | (19,000)  | 16,000           |
| Joshua Lariston Knightley Chetwode | 15,000         | 0       | 0         | 15,000           |

Number of ordinary shares of US\$0.05 each

|   | At<br>1.1.2004 | Acquired | Sold | At<br>31.12.2004 |
|---|----------------|----------|------|------------------|
| Shares in Jardine Strategic Holdings Limited held by: |                |          |      |                  |
| Anthony John Liddell Nightingale                      | 16,875         | 0        | 0    | 16,875           |

Number of ordinary shares of US\$0.05 5/9 each

|  | At<br>1.1.2004 | Acquired | Sold | At<br>31.12.2004 |
|--|----------------|----------|------|------------------|
| Shares in Dairy Farm International Holdings Limited held by: |                |          |      |                  |
| Anthony John Liddell Nightingale (beneficial)                | 24,375         | 0        | 0    | 24,375           |
| Anthony John Liddell Nightingale (non-beneficial)            | 9,808          | 0        | 0    | 9,808            |

Number of ordinary shares of PHP 4 each

|   | At<br>1.1.2004 | Acquired | Sold | At<br>31.12.2004 |
|---|----------------|----------|------|------------------|
| Shares in Jardine Davies Inc held by:         |                |          |      |                  |
| Anthony John Liddell Nightingale (beneficial) | 25,000         | 0        | 0    | 25,000           |

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

# DIRECTORS' REPORT

## Statutory Information on the Financial Statements

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

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

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

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

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

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

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

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

### Statutory Information on the Financial Statements *(continued)*

In the opinion of the directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the following items as disclosed in Note 5 to the financial statements:
  - (i) gain on disposal of property, plant and equipment and provision for retrenchment benefit for the Group;
  - (ii) gain on disposal of property, plant and equipment, provision for contingent loss in a subsidiary company and provisions for diminution in value for investments in subsidiary companies and on associated company; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made other than the effects of early termination of assembly agreements entered into by the two subsidiaries of the Group as disclosed in Note 27 (b) to the financial statements.

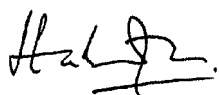
### Ultimate Holding Company

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

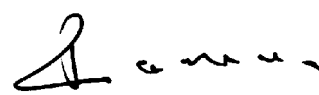
### Auditors

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 February 2005.



Tan Sri Abdul Halim bin Ali  
Director



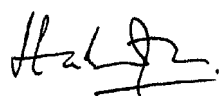
Tan Sri Abdul Rashid Hussain  
Director

## STATEMENT BY DIRECTORS

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

We, Tan Sri Abdul Halim bin Ali and Tan Sri Abdul Rashid Hussain, two of the directors of Cycle & Carriage Bintang Berhad, state that, in the opinion of the directors, the financial statements set out on pages 58 to 99 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 February 2005.



Tan Sri Abdul Halim bin Ali  
Director



Tan Sri Abdul Rashid Hussain  
Director

## STATUTORY DECLARATION

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

I, Joshua Lariston Knightley Chetwode, the officer primarily responsible for the financial management of Cycle & Carriage Bintang Berhad, do solemnly and sincerely declare that the financial statements set out on pages 58 to 99 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Joshua Lariston Knightley Chetwode

Subscribed and solemnly declared by the abovenamed Joshua Lariston Knightley Chetwode.

At : Kuala Lumpur

On : 17 February 2005

Before me :



Sariah bt. Yeob  
Commissioner for Oaths

# REPORT OF THE AUDITORS

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

We have audited the financial statements set out on pages 58 to 99. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and Company as at 31 December 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

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

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



PricewaterhouseCoopers  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
17 February 2005



Lee Tuck Heng  
(No. 2092/09/06 (J))  
Partner of the firm

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2004

|   | Note | 2004<br>RM'000 | 2003<br>RM'000 |
|---|------|----------------|----------------|
| REVENUE                                       | 4    | 757,262        | 871,761        |
| Cost of sales                                 |      | (661,891)      | (759,222)      |
| Gross profit                                  |      | 95,371         | 112,539        |
| Other operating income                        |      | 30,415         | 18,823         |
| Selling and distribution costs                |      | (66,608)       | (69,734)       |
| Administrative expenses                       |      | (21,807)       | (19,663)       |
| Other operating expenses                      |      | (10,249)       | (3,951)        |
| PROFIT FROM OPERATIONS                        | 5    | 27,122         | 38,014         |
| FINANCE COST - interest expense on borrowings |      | (3,720)        | (255)          |
| SHARE OF RESULTS OF ASSOCIATED COMPANIES      |      | 2,186          | 632            |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX    |      | 25,588         | 38,391         |
| TAX EXPENSE                                   |      |                |                |
| - Company and subsidiary companies            |      | (7,912)        | (12,722)       |
| - associated companies                        |      | (2,854)        | (1,365)        |
|   | 7    | (10,766)       | (14,087)       |
| NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS       |      | 14,822         | 24,304         |
| Dividends per share (sen)                     | 8    | 15             | 442            |
| Earnings per share (sen)                      |      |                |                |
| - basic                                       | 9    | 14.7           | 24.7           |
| - diluted                                     | 9    | 14.7           | 24.7           |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2004

|  | Note    | 2004<br>RM'000   | 2003<br>RM'000   |
|--|---------|------------------|------------------|
| <b>NON CURRENT ASSETS</b>              |         |                  |                  |
| Property, plant and equipment          | 10      | 116,337          | 89,812           |
| Investments in associated companies    | 12 & 28 | 88,804           | 131,417          |
| Investments in unquoted shares         | 13      | 66,003           | 66,003           |
| Hire purchase receivables              | 14      | 1,598            | 0                |
| Deferred tax assets                    | 15      | 2,115            | 11,399           |
| <b>CURRENT ASSETS</b>                  |         |                  |                  |
| Inventories                            | 16      | 202,351          | 206,131          |
| Trade and other receivables            | 17      | 81,923           | 88,104           |
| Amount due from an associated company  |         | 0                | 5,696            |
| Short term investments                 | 18      | 1,609            | 1,379            |
| Deposits with licensed banks           | 20      | 0                | 36,000           |
| Bank and cash balances                 | 20      | 8,277            | 3,769            |
|  |         | <b>294,160</b>   | <b>341,079</b>   |
| <b>CURRENT LIABILITIES</b>             |         |                  |                  |
| Provisions for liabilities and charges | 21      | (9,953)          | (29,335)         |
| Trade and other payables               | 22      | (65,681)         | (73,025)         |
| Borrowings (unsecured):                |         |                  |                  |
| - bank overdraft                       | 23      | 0                | (8,374)          |
| - others                               | 23      | (119,479)        | (159,610)        |
| Amount due to an associated company    |         | (59)             | (29)             |
| Taxation                               |         | (36)             | (48)             |
|  |         | <b>(195,208)</b> | <b>(270,421)</b> |
| <b>NET CURRENT ASSETS</b>              |         | <b>98,952</b>    | <b>70,658</b>    |
|  |         | <b>373,809</b>   | <b>369,289</b>   |
| <b>CAPITAL AND RESERVES</b>            |         |                  |                  |
| Share capital                          | 24      | 100,745          | 100,745          |
| Share premium                          |         | 23,857           | 23,857           |
| Revaluation reserve                    |         | 624              | 440              |
| Translation reserve                    |         | 10,100           | 8,825            |
| Revenue reserve                        |         | 238,483          | 235,422          |
|  |         | <b>373,809</b>   | <b>369,289</b>   |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2004

|   | Issued and fully paid<br>ordinary shares of RM1 each |                            | Non distributable          |                                  |                                  | Distributable                | Total<br>RM'000 |
|---|--|----------------------------|----------------------------|----------------------------------|----------------------------------|------------------------------|-----------------|
|   | Number<br>of shares<br>'000                          | Nominal<br>value<br>RM'000 | Share<br>premium<br>RM'000 | Revaluation<br>reserve<br>RM'000 | Translation<br>reserve<br>RM'000 | Revenue<br>reserve<br>RM'000 |                 |
| At 31 December 2002   | 98,033   | 98,033                     | 11,944                     | 4,373                            | 8,277                            | 541,527                      | 664,154         |
| Net profit for the financial year   | 0  | 0                          | 0                          | 0                                | 0                                | 24,304                       | 24,304          |
| Dividends for the financial year ended:   |  |                            |                            |                                  |                                  |                              |                 |
| - 31 December 2002  | 0  | 0                          | 0                          | 0                                | 0                                | (17,646)                     | (17,646)        |
| - 31 December 2003  | 0  | 0                          | 0                          | 0                                | 0                                | (313,083)                    | (313,083)       |
| Share of associated company's<br>exchange difference  | 0  | 0                          | 0                          | 0                                | 548                              | 0                            | 548             |
| Share of associated company's<br>revaluation reserve  | 0  | 0                          | 0                          | (3,613)                          | 0                                | 0                            | (3,613)         |
| Share of associated company's<br>reclassification of prior year revaluation<br>reserve to revenue reserve | 0  | 0                          | 0                          | (320)                            | 0                                | 320                          | 0               |
| Net (loss)/gain not recognised in the<br>income statement   | 0  | 0                          | 0                          | (3,933)                          | 548                              | 320                          | (3,065)         |
| Issue of shares on exercise of<br>share options (Note 24)   | 2,712  | 2,712                      | 11,913                     | 0                                | 0                                | 0                            | 14,625          |
| At 31 December 2003   | 100,745  | 100,745                    | 23,857                     | 440                              | 8,825                            | 235,422                      | 369,289         |
| At 31 December 2003   | 100,745  | 100,745                    | 23,857                     | 440                              | 8,825                            | 235,422                      | 369,289         |
| Net profit for the financial year   | 0  | 0                          | 0                          | 0                                | 0                                | 14,822                       | 14,822          |
| Dividends for the financial year ended:   |  |                            |                            |                                  |                                  |                              |                 |
| - 31 December 2003  | 0  | 0                          | 0                          | 0                                | 0                                | (7,254)                      | (7,254)         |
| - 31 December 2004  | 0  | 0                          | 0                          | 0                                | 0                                | (3,627)                      | (3,627)         |
| Share of associated company's<br>exchange difference  | 0  | 0                          | 0                          | 0                                | 1,275                            | 0                            | 1,275           |
| Share of associated company's<br>revaluation reserve  | 0  | 0                          | 0                          | 184                              | 0                                | 0                            | 184             |
| Negative goodwill on acquisition<br>of subsidiary (Note 3)  | 0  | 0                          | 0                          | 0                                | 0                                | 1,836                        | 1,836           |
| Adjustment for prior year's<br>overstatement of gain in associate   | 0  | 0                          | 0                          | 0                                | 0                                | (2,716)                      | (2,716)         |
| Net gain/(loss) not recognised in the<br>income statement   | 0  | 0                          | 0                          | 184                              | 1,275                            | (880)                        | 579             |
| At 31 December 2004   | 100,745  | 100,745                    | 23,857                     | 624                              | 10,100                           | 238,483                      | 373,809         |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2004

|   | Note | 2004<br>RM'000 | 2003<br>RM'000 |
|---|------|----------------|----------------|
| <b>OPERATING ACTIVITIES</b>   |      |                |                |
| Cash flow from operations   | 26   | 24,866         | 145,448        |
| Interest paid   |      | (3,806)        | (607)          |
| Interest received   |      | 622            | 4,498          |
| Taxation paid   |      | (1,215)        | (8,354)        |
|   |      | (4,399)        | (4,463)        |
| Net cash flow from operating activities                             |      | 20,467         | 140,985        |
| <b>INVESTING ACTIVITIES</b>   |      |                |                |
| Proceeds from disposal of property, plant and equipment             |      | 15,488         | 1,364          |
| Purchase of property, plant and equipment                           |      | (25,882)       | (3,324)        |
| Investment in subsidiary company                                    | 3    | (22,572)       | 0              |
| Investments in unquoted shares                                      |      | 0              | (66,003)       |
| Dividends received  |      | 40,393         | 25,152         |
| Net cash flow from/(used in) investing activities                   |      | 7,427          | (42,811)       |
| <b>FINANCING ACTIVITIES</b>   |      |                |                |
| Proceeds from issue of shares                                       |      | 0              | 14,625         |
| Revolving credits and bankers acceptance                            |      | (40,131)       | 159,610        |
| Dividends paid  |      | (10,881)       | (330,729)      |
| Net cash flow used in financing activities                          |      | (51,012)       | (156,494)      |
| NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR |      | (23,118)       | (58,320)       |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR            |      | 31,395         | 89,715         |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR                  | 20   | 8,277          | 31,395         |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# COMPANY INCOME STATEMENT

For the financial year ended 31 December 2004

|   | Note | 2004<br>RM'000 | 2003<br>RM'000 |
|---|------|----------------|----------------|
| REVENUE                                       | 4    | 510,184        | 724,475        |
| Cost of sales                                 |      | (450,600)      | (643,195)      |
| Gross profit                                  |      | 59,584         | 81,280         |
| Other operating income                        |      | 108,580        | 57,049         |
| Selling and distribution costs                |      | (41,054)       | (51,859)       |
| Administrative expenses                       |      | (17,175)       | (15,980)       |
| Other operating expenses                      |      | (45,503)       | (1,591)        |
| PROFIT FROM OPERATIONS                        | 5    | 64,432         | 68,899         |
| FINANCE COST - interest expense on borrowings |      | (3,720)        | (255)          |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX    |      | 60,712         | 68,644         |
| TAX EXPENSE                                   | 7    | (27,842)       | (18,967)       |
| NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS       |      | 32,870         | 49,677         |
| Dividends per share (sen)                     | 8    | 15             | 442            |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# COMPANY BALANCE SHEET

As at 31 December 2004

|  | Note    | 2004<br>RM'000   | 2003<br>RM'000   |
|--|---------|------------------|------------------|
| <b>NON CURRENT ASSETS</b>              |         |                  |                  |
| Property, plant and equipment          | 10      | 117,418          | 84,144           |
| Investments in subsidiary companies    | 11 & 28 | 38,602           | 10,499           |
| Investments in associated companies    | 12 & 28 | 88,835           | 121,948          |
| Investments in unquoted shares         | 13      | 66,003           | 66,003           |
| Deferred tax assets                    | 15      | 454              | 11,719           |
| <b>CURRENT ASSETS</b>                  |         |                  |                  |
| Inventories                            | 16      | 150,200          | 154,695          |
| Trade and other receivables            | 17      | 57,679           | 70,917           |
| Short term investments                 | 18      | 1,609            | 1,379            |
| Amounts due from subsidiary companies  | 19      | 23,487           | 41,454           |
| Amount due from an associated company  |         | 0                | 5,034            |
| Deposits with licensed banks           | 20      | 0                | 36,000           |
| Bank and cash balances                 | 20      | 2,409            | 470              |
|  |         | <b>235,384</b>   | <b>309,949</b>   |
| <b>CURRENT LIABILITIES</b>             |         |                  |                  |
| Provisions for liabilities and charges | 21      | (2,290)          | (28,680)         |
| Trade and other payables               | 22      | (41,189)         | (50,853)         |
| Amounts due to subsidiary companies    | 19      | (9,859)          | (4,885)          |
| Amount due to an associated company    |         | (59)             | (29)             |
| Borrowings (unsecured):                |         |                  |                  |
| - bank overdraft                       | 23      | 0                | (8,374)          |
| - others                               | 23      | (119,479)        | (159,610)        |
|  |         | <b>(172,876)</b> | <b>(252,431)</b> |
| <b>NET CURRENT ASSETS</b>              |         | <b>62,508</b>    | <b>57,518</b>    |
|  |         | <b>373,820</b>   | <b>351,831</b>   |
| <b>CAPITAL AND RESERVES</b>            |         |                  |                  |
| Share capital                          | 24      | 100,745          | 100,745          |
| Share premium                          |         | 23,857           | 23,857           |
| Other reserve                          |         | 366              | 606              |
| Revenue reserve                        | 25      | 248,852          | 226,623          |
|  |         | <b>373,820</b>   | <b>351,831</b>   |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2004

|  | Issued and fully paid<br>ordinary shares of RM1 each |                            | Non-Distributable          |                             | Distributable<br>Revenue<br>reserve<br>RM'000 | Total<br>RM'000 |
|--|--|----------------------------|----------------------------|-----------------------------|---|-----------------|
|  | Number<br>of shares<br>'000                          | Nominal<br>value<br>RM'000 | Share<br>premium<br>RM'000 | Other<br>reserve*<br>RM'000 |   |                 |
| At 31 December 2002  | 98,033   | 98,033                     | 11,944                     | 606                         | 507,675                                       | 618,258         |
| Net profit for the financial year  | 0  | 0                          | 0                          | 0                           | 49,677  | 49,677          |
| Dividends for the financial year ended:  |  |                            |                            |                             |   |                 |
| - 31 December 2002   | 0  | 0                          | 0                          | 0                           | (17,646)                                      | (17,646)        |
| - 31 December 2003   | 0  | 0                          | 0                          | 0                           | (313,083)                                     | (313,083)       |
| Issue of shares on exercise of<br>share options (Note 24)                      | 2,712  | 2,712                      | 11,913                     | 0                           | 0   | 14,625          |
| At 31 December 2003  | 100,745  | 100,745                    | 23,857                     | 606                         | 226,623                                       | 351,831         |
| At 31 December 2003  | 100,745  | 100,745                    | 23,857                     | 606                         | 226,623                                       | 351,831         |
| Net profit for the financial year  | 0  | 0                          | 0                          | 0                           | 32,870  | 32,870          |
| Dividends for the financial year ended:  |  |                            |                            |                             |   |                 |
| - 31 December 2003   | 0  | 0                          | 0                          | 0                           | (7,254)                                       | (7,254)         |
| - 31 December 2004   | 0  | 0                          | 0                          | 0                           | (3,627)                                       | (3,627)         |
| Transfer to revenue reserve on realisation<br>of property, plant and equipment | 0  | 0                          | 0                          | (240)                       | 240   | 0               |
| Net (loss)/gain not recognised in the<br>income statement                      | 0  | 0                          | 0                          | (240)                       | 240   | 0               |
| At 31 December 2004  | 100,745  | 100,745                    | 23,857                     | 366                         | 248,852                                       | 373,820         |

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

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# COMPANY CASH FLOW STATEMENT

For the financial year ended 31 December 2004

|   | Note | 2004<br>RM'000 | 2003<br>RM'000 |
|---|------|----------------|----------------|
| <b>OPERATING ACTIVITIES</b>   |      |                |                |
| Cash flow from operations   | 26   | 16,772         | 145,300        |
| Interest paid   |      | (3,807)        | (607)          |
| Interest received   |      | 553            | 4,484          |
| Taxation paid   |      | 0              | (7,333)        |
|   |      | (3,254)        | (3,456)        |
| Net cash flow from operating activities                             |      | 13,518         | 141,844        |
| <b>INVESTING ACTIVITIES</b>   |      |                |                |
| Proceeds from disposal of property, plant and equipment             |      | 14,852         | 693            |
| Purchase of property, plant and equipment                           |      | (42,830)       | (1,478)        |
| Dividends received  |      | 70,255         | 25,089         |
| Investment in subsidiary company                                    | 3    | (30,470)       | 0              |
| Investments in unquoted shares                                      |      | 0              | (66,003)       |
| Net cash flow from/(used in) investing activities                   |      | 11,807         | (41,699)       |
| <b>FINANCING ACTIVITIES</b>   |      |                |                |
| Proceeds from issue of shares                                       |      | 0              | 14,625         |
| Revolving credits and bankers acceptance                            |      | (40,131)       | 159,610        |
| Dividends paid  |      | (10,881)       | (330,729)      |
| Net cash flow used in financing activities                          |      | (51,012)       | (156,494)      |
| NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR |      | (25,687)       | (56,349)       |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR            |      | 28,096         | 84,445         |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR                  | 20   | 2,409          | 28,096         |

The accounting policies on pages 66 to 70 and the notes on pages 71 to 99 form an integral part of these financial statements.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ended 31 December 2004

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

## A Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the applicable approved accounting standards and the provisions of the Companies Act requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The amounts shown in these financial statements are presented in Ringgit Malaysia.

## B Basis of Consolidation

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

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

## C Subsidiary Companies

Subsidiary companies are defined as those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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

A listing of the Group's subsidiary companies is set out in Note 28.

## D Associated Companies

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but is not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of the associated companies for the period. The Group's share of results of associated companies is included in the consolidated income statement and is based on audited financial statements for the financial year ended 31 December. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies.

**D Associated Companies** *(continued)*

Unrealised surpluses and deficits on transactions between group companies and associated companies have been eliminated to the extent of the Group's interest in the associated companies. Where necessary, in applying the equity method, adjustments have been made to the financial statements of associated companies to ensure consistency of accounting policies with the Group.

Investments in associated companies are stated in the financial statements of the Company at cost less allowance for any accumulated impairment loss.

A listing of the Group's associated companies is shown in Note 28.

**E Investments**

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

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

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

**F Goodwill**

Goodwill arising on consolidation represents the excess or deficit of the purchase price of subsidiary and associated companies acquired over the fair value of their net assets at the date of acquisition. It is written off against reserves in the year of acquisition.

**G Property, Plant and Equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment loss where applicable.

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the periods of the respective leases which range from 56 to 99 years.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset over their estimated useful lives at the following annual rates:

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

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

At each balance sheet date, the Group assesses whether there is any indication of impairment. When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ended 31 December 2004

## **G Property, Plant and Equipment** *(continued)*

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the income statement in determining profit from operations.

## **H Inventories**

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

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

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

## **I Trade Receivables**

Trade receivables are carried at anticipated realisable value.

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

## **J Income Taxes**

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

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

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

Taxes payable, by either the holding company or its subsidiaries on the distribution to the holding company of the undistributed earnings of subsidiaries, associates and joint ventures are recognised as deferred income taxes unless a distribution of these earnings is not intended or would not give rise to a tax liability.

## K Foreign Currencies

Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used. Transactions in foreign currencies have been converted at rates ruling at the transaction dates, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements.

The principal closing rates used in the translation of foreign currency amounts were as follows:

| Foreign currency | 2004<br>RM | 2003<br>RM |
|------------------|------------|------------|
| 1 EURO           | 5.1743     | 4.3312     |
| 100 Yen          | 3.6965     | 3.2859     |

## L Revenue Recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from the rendering of services is recognised when the service is rendered. Revenue recognised exclude sales and service taxes, excise duties, and is stated net of discounts and after eliminating sales within the Group.

Interest income - as it accrues unless collection is in doubt.

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

## M Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## N Financial Instruments

### (1) Description

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

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

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

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ended 31 December 2004

## **N Financial Instruments** *(continued)*

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

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

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

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

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

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

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

## **O Dividends**

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

## **P Employee Benefits**

### **(1) Short term employee benefits**

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

### **(2) Defined contribution plans**

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

### **(3) Equity compensation benefits**

Share options are granted to certain directors and employees under of the Group's Executives' Share Option Scheme, details of which are set out in Note 24(b) to the financial statements. No compensation cost is recognised upon granting or exercise of the options. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (for the par value of the shares issued) and share premium.

## **Q Segment Reporting**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 1 General Information

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

The number of employees at the end of the financial year amounted to 1,026 (2003: 1,121) in the Group and 499 (2003: 606) in the Company respectively.

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

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

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

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

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

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

## 2 Financial Risk Management Objectives and Policies

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

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

### Foreign currency exchange risk

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

### Interest rate risk

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

### Credit risk

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

### Liquidity and cash flow risk

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 3 Acquisition of a Subsidiary

On 23 March 2004, the Company completed a sale and purchase agreement with Jardine Cycle & Carriage Limited, the vendor of Cycle & Carriage (Malaysia) Sdn Berhad ("CCM"), to acquire the remaining 21,700,000 ordinary shares of RM1.00 each in CCM, representing 70% of the issued and paid up share capital of CCM for a total cash consideration of RM30,470,000. As a result of the acquisition, CCM become a wholly-owned subsidiary of the Company.

The effect of this acquisition on the financial results of the Group during the period is shown below:

|  | 2004<br>RM'000 |
|--|----------------|
| Revenue  | 70,668         |
| Expenses excluding finance cost and tax  | (70,866)       |
| Profit from operations   | (198)          |
| Tax expense  | 213            |
| Profit after tax   | 15             |
| Less: Group's share of net profit had the Group not acquired the additional 70% interest | (5)            |
| Net profit attributable to acquisition of 70% equity interest in CCM during the year     | 10             |

The effect of this acquisition on the Group's financial position at the year end is as follows:

|  | 31.12.2004<br>RM'000 |
|--|----------------------|
| Non current assets   | 3,492                |
| Current assets   | 28,034               |
| Current liabilities  | (2,809)              |
| Group's share of net assets  | 28,717               |
| Less: Amount accounted for as an associate at 31 March 2004                          | (11,614)             |
| Less: Group's share of profit had the Group not acquired the additional 70% interest | (5)                  |
| Increase in Group net assets   | 17,098               |

### 3 Acquisition of a Subsidiary (continued)

Details of net assets acquired, goodwill and cash flow arising from the acquisition are as follows:

|   | At date of<br>acquisition<br>RM'000 |
|---|-------------------------------------|
| Property, plant and equipment                               | 12,730                              |
| Deferred tax asset  | 659                                 |
| Hire purchase receivables                                   | 9,845                               |
| Inventories   | 15,066                              |
| Trade and other receivables                                 | 6,359                               |
| Bank and other liquid funds                                 | 7,898                               |
| Trade and other payables                                    | (8,637)                             |
| Fair value of total net assets acquired at 31 March 2004    | 43,920                              |
| Less: Amount accounted for as an associate at 31 March 2004 | (11,614)                            |
| Fair value of net assets acquired at 31 March 2004          | 32,306                              |
| Negative goodwill   | (1,836)                             |
| Cost of acquisition   | 30,470                              |
| Total purchase consideration                                | 30,470                              |
| Less: Cash and cash equivalents of subsidiary acquired      | (7,898)                             |
| Cash outflow of the Group on acquisition                    | 22,572                              |

Negative goodwill arising on this acquisition is credited to reserves in the year of acquisition.

There was no acquisition in the prior year.

### 4 Revenue

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

Revenue of the Group comprises sales to external customers.

|                             | Group          |                | Company        |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Sales of goods              | 642,852        | 801,695        | 489,009        | 705,296        |
| Servicing of motor vehicles | 28,198         | 21,886         | 21,175         | 19,179         |
| Assembly fees               | 86,212         | 48,180         | 0              | 0              |
|                             | <b>757,262</b> | <b>871,761</b> | <b>510,184</b> | <b>724,475</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 5 Profit from Operations

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Profit from operations is determined after charging/(crediting): |                |                |                |                |
| Rent for land and buildings                                      | 2,199          | 1,694          | 1,809          | 1,621          |
| Hire of plant and machinery                                      | 22             | 46             | 0              | 0              |
| Auditors' remuneration   | 277            | 220            | 170            | 148            |
| Allowance/(write back) for doubtful debts:                       |                |                |                |                |
| - amount due from a subsidiary company                           | 0              | 0              | 2,457          | (4,243)        |
| - trade receivables  | (285)          | 122            | 32             | 71             |
| - warranty claims receivable                                     | 4,330          | 0              | 4,128          | 0              |
| Provision for contingent loss in a subsidiary company            | 0              | 0              | 5,215          | 0              |
| Provisions for diminution in value for:                          |                |                |                |                |
| - investments in subsidiary companies                            | 0              | 0              | 11,583         | 0              |
| - investment in an associated company                            | 0              | 0              | 23,897         | 0              |
| Staff costs  | 53,739         | 49,796         | 30,807         | 32,118         |
| Voluntary separation scheme costs                                | 2,875          | 2,829          | 2,280          | 468            |
| Provision for retrenchment benefit                               | 7,000          | 0              | 0              | 0              |
| Property, plant and equipment:                                   |                |                |                |                |
| - depreciation (Note 10)   | 7,374          | 8,546          | 5,558          | 7,372          |
| - impairment loss included within 'other operating expenses'     | 304            | 0              | 0              | 0              |
| - gains on disposal  | (11,079)       | (593)          | (10,854)       | (77)           |
| Net exchange (gain)/loss:  |                |                |                |                |
| - unrealised   | (9)            | (71)           | (9)            | (71)           |
| - realised   | 60             | (902)          | 60             | (902)          |
| Reversal of part of prior year inventory write down              | (9,158)        | (22,189)       | (7,996)        | (21,889)       |
| Interest income from deposits (Note 26)                          | (622)          | (4,498)        | (553)          | (4,484)        |
| Dividends (gross) from:  |                |                |                |                |
| - unquoted investments in subsidiary companies                   | 0              | 0              | (41,598)       | 0              |
| - unquoted investments in associated companies                   | 0              | 0              | (36,344)       | (32,807)       |
| - unquoted investments   | (114)          | (75)           | 0              | 0              |
| Rental income  | (648)          | (877)          | (2,809)        | (2,737)        |
| Write back on short term investments                             | (230)          | (276)          | (230)          | (276)          |
| Investment in DCM (Note 13)                                      |                |                |                |                |
| - minimum assured amount receivable                              | (11,229)       | (10,952)       | (11,229)       | (10,952)       |
| - amount recognised on receipt of dividend                       | (4,643)        | 0              | (4,643)        | 0              |

Included in staff costs is contribution to the Employees Provident Fund of RM5,759,000 (2003: RM5,563,000) for the Group and RM3,245,000 (2003: RM3,551,000) for the Company.

## 6 Directors' Remuneration

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

### Non-executive Directors

Tan Sri Abdul Halim bin Ali  
 Datuk Hassan Abas  
 Tan Sri Abdul Rashid Hussain  
 Anthony John Liddell Nightingale  
 Philip Eng Heng Nee  
 Dato' Kamaruddin bin Mahmood  
 Syed Zaid bin Syed Jaffar Albar  
 Neville Barry Venter  
 Dato' Khalid bin Haji Ismail  
 Dato' Sulaiman bin Sujak  
 Adam Phillip Charles Keswick  
 Steven Gareth Foster (Alternate to Philip Eng Heng Nee) (ceased to be alternate director on 10 March 2004)  
 Joshua Lariston Knightley Chetwode (Alternate to Neville Barry Venter)

### Executive Directors

Steven Gareth Foster (appointed on 10 March 2004)  
 Datuk Seri Haji Mohamad bin Haji Hasan (resigned on 10 March 2004)

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

|   | Group and Company |              |
|---|-------------------|--------------|
|   | 2004              | 2003         |
|   | RM'000            | RM'000       |
| <b>Non-executive Directors:</b>             |                   |              |
| - fees                                      | 650               | 631          |
| - salaries and bonus                        | 582*              | 1,194*       |
| - estimated money value of benefits-in-kind | 171*#             | 215*#        |
| <b>Executive Directors:</b>                 |                   |              |
| - salaries and bonus                        | 1,599             | 948          |
| - gratuity                                  | 600               | 0            |
| - estimated money value of benefits-in-kind | 196@              | 37           |
| - defined contribution retirement plan      | 151@              | 163          |
|   | <b>3,949</b>      | <b>3,188</b> |

\* The emoluments are in relation to Joshua Lariston Knightley Chetwode, an officer of the Group and Company (2003: Steven Gareth Foster and Joshua Lariston Knightley Chetwode, officers of the Group and Company).

# The amounts also include estimated money value of benefits-in-kind of RM29,000 (2003: RM29,000) in relation to Tan Sri Abdul Halim bin Ali, Chairman of the Group and Company.

@ The amounts include amount payable to Jardine Matheson & Co., Ltd and Jardine Cycle & Carriage Limited of RM198,000 (2003: RM Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 6 Directors' Remuneration (continued)

The former Executive Director of the Company had been granted options under the Executives' Share Option Scheme on the same terms and conditions as those offered to other employees of the Group (see Note 24(b)) as follows:

| Grant date    | Exercise price<br>RM/share | At<br>1.1.2003 | Granted<br>'000 | Exercised<br>'000 | At<br>31.12.2003<br>'000 |
|---------------|----------------------------|----------------|-----------------|-------------------|--------------------------|
| 3 July 2000   | 6.09                       | 80             | 0               | (80)              | 0                        |
| 11 July 2001  | 4.66                       | 80             | 0               | (80)              | 0                        |
| 3 April 2002  | 5.68                       | 80             | 0               | (80)              | 0                        |
| 14 March 2003 | 4.28                       | 0              | 100             | (100)             | 0                        |
|               |                            | 240            | 100             | (340)             | 0                        |

None of the other directors were granted options under the Executives' share option scheme.

Details relating to options exercised by the director during the year 2003 were as follows:

| Exercise date | Fair value<br>of shares at<br>share issue<br>date<br>RM/Share | Exercise price<br>RM/Share | Number<br>of shares<br>'000 |
|---------------|---|----------------------------|-----------------------------|
| August 2003   | 5.70 - 5.85   | 4.28                       | 100                         |
| November 2003 | 7.25 - 7.90   | 4.66                       | 80                          |
| December 2003 | 7.35 - 7.60   | 5.69 - 6.09                | 160                         |
|               |   |                            | 340                         |

2003  
RM'000

|  |       |
|--|-------|
| Ordinary share capital - at par                | 340   |
| Share premium                                  | 1,402 |
| Proceeds received on exercise of share options | 1,742 |
| Fair value at exercise date of shares issued   | 2,377 |

## 7 Tax Expense

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| <b>In Malaysia</b>   |                |                |                |                |
| Current tax:   |                |                |                |                |
| - Company and subsidiary companies   | (2,031)        | 7,626          | 9,308          | 8,699          |
| - associated companies   | 2,307          | 1,344          | 0              | 0              |
| Deferred tax:  |                |                |                |                |
| - Company and subsidiary companies (Note 15)                               | 9,943          | 5,096          | 11,265         | 4,884          |
| - associated companies   | 547            | 108            | 0              | 0              |
| <b>Outside Malaysia</b>  |                |                |                |                |
| Current tax:   |                |                |                |                |
| - Company and subsidiary companies   | 0              | 0              | 7,269          | 5,384          |
| - associated companies   | 0              | (87)           | 0              | 0              |
| Deferred tax:  |                |                |                |                |
| - associated companies   | 0              | 0              | 0              | 0              |
|  | <b>10,766</b>  | <b>14,087</b>  | <b>27,842</b>  | <b>18,967</b>  |
| Current tax:   |                |                |                |                |
| - current year   | 465            | 9,330          | 16,300         | 13,600         |
| - benefit from previously unrecognised temporary difference and tax losses | (671)          | (839)          | 0              | 0              |
| - underaccrual in prior years (net)  | 482            | 392            | 277            | 483            |
| Deferred tax:  |                |                |                |                |
| - origination and reversal of temporary differences                        | 9,071          | 3,823          | 11,265         | 4,884          |
| - write down of deferred tax assets  | 1,419          | 1,381          | 0              | 0              |
|  | <b>10,766</b>  | <b>14,087</b>  | <b>27,842</b>  | <b>18,967</b>  |

The effective tax rate of the Group and of the Company is higher than the Malaysian Standard rate of income tax of 28% due to the following:

|  | Group     |           | Company   |           |
|--|-----------|-----------|-----------|-----------|
|  | 2004<br>% | 2003<br>% | 2004<br>% | 2003<br>% |
| Malaysian tax rate   | 28        | 28        | 28        | 28        |
| Tax effects of:  |           |           |           |           |
| - lower tax rate   | 0         | 0         | (5)       | (2)       |
| - expenses not deductible for tax purposes                             | 6         | 8         | 22        | 1         |
| - current year's tax loss not recognised                               | 0         | 1         | 0         | 0         |
| - tax losses previously recognised as deferred tax asset, now reversed | 2         | 0         | 0         | 0         |
| - current year temporary differences not recognised                    | 4         | 0         | 0         | 0         |
| - underaccrual in prior years (net)                                    | 2         | 0         | 1         | 1         |
| Average effective tax rate   | <b>42</b> | <b>37</b> | <b>46</b> | <b>28</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 8 Dividends

Dividends declared or proposed in respect of the financial years ended 31 December 2003 and 2004 are as follows:

|                               | Group and Company         |   |                           |   |
|-------------------------------|---------------------------|---|---------------------------|---|
|                               | 2004                      |   | 2003                      |   |
|                               | Gross<br>per share<br>sen | Amount of<br>dividend<br>net of tax<br>RM'000 | Gross<br>per share<br>sen | Amount of<br>dividend<br>net of tax<br>RM'000 |
| Interim dividend paid         | 5                         | 3,627   | 15                        | 10,608  |
| Special interim dividend paid | 0                         | 0   | 417                       | 302,475                                       |
| Final dividend proposed       | 10                        | 7,254   | 10                        | 7,254   |
|                               | 15                        | 10,881  | 442                       | 320,337                                       |

At the forthcoming Annual General Meeting on 9 May 2005, a final gross dividend in respect of the financial year ended 31 December 2004 of 10 sen per share (2003: 10 sen per share), less income tax, amounting to RM7,254,000 (2003: RM7,254,000) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for as an appropriation of revenue reserved and accrued as a liability in the year ending 31 December 2005.

## 9 Earnings Per Share

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

|  | Group   |        |
|--|---------|--------|
|  | 2004    | 2003   |
| Net profit attributable to shareholders (RM'000)           | 14,822  | 24,304 |
| Weighted average number of ordinary shares in issue ('000) | 100,745 | 98,311 |
| Basic earnings per share (sen)                             | 14.7    | 24.7   |

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares which is share options granted to employees. A calculation is done to determine the number of shares that could have been issued at market price (determined as the average monthly closing share price of the Company's shares) based on the consideration that would have been received on the exercise of the dilutive share options. The difference between the number of shares assumed to be issued on exercise of the dilutive share options and the number of shares that would have been issued at fair value are treated as an issue of ordinary shares for no consideration. The shares issued for no consideration are added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit attributable to shareholders.

|   | Group   |        |
|---|---------|--------|
|   | 2004    | 2003   |
| Net profit attributable to shareholders (RM'000)    | 14,822  | 24,304 |
| Weighted average number of ordinary shares:         |         |        |
| - in issue during the financial year ('000)         | 100,745 | 98,311 |
| - adjustments for share options ('000)              | 0       | 2      |
| - for diluted earnings per share calculation ('000) | 100,745 | 98,313 |
| Diluted earnings per share (sen)                    | 14.7    | 24.7   |

## 10 Property, Plant and Equipment

|                                    | Land               |                     | Buildings<br>RM'000 | Plant<br>and<br>machinery<br>RM'000 | Motor<br>vehicles,<br>equipment<br>and fixtures<br>RM'000 | Total<br>RM'000 |
|------------------------------------|--------------------|---------------------|---------------------|-------------------------------------|---|-----------------|
|                                    | Freehold<br>RM'000 | Leasehold<br>RM'000 |                     |                                     |   |                 |
| <b>Group</b>                       |                    |                     |                     |                                     |   |                 |
| <b>2004</b>                        |                    |                     |                     |                                     |   |                 |
| Net book value at 1 January        | 10,523             | 29,732              | 37,438              | 4,857                               | 7,262   | 89,812          |
| Acquisition of subsidiary (Note 3) | 3,386              | 7,509               | 1,020               | 134                                 | 681   | 12,730          |
| Additions                          | 14,170             | 0                   | 7,074               | 612                                 | 4,026   | 25,882          |
| Disposals                          | (1,193)            | (98)                | (1,392)             | (1,423)                             | (303)   | (4,409)         |
| Impairment loss                    | 0                  | 0                   | 0                   | (132)                               | (172)   | (304)           |
| Depreciation charge                | 0                  | (523)               | (2,334)             | (1,619)                             | (2,898)   | (7,374)         |
| Net book value at 31 December      | 26,886             | 36,620              | 41,806              | 2,429                               | 8,596   | 116,337         |
| Cost                               | 26,886             | 44,137              | 68,966              | 17,010                              | 26,095  | 183,094         |
| Accumulated depreciation           | 0                  | (7,517)             | (27,160)            | (14,449)                            | (17,327)  | (66,453)        |
| Accumulated impairment loss        | 0                  | 0                   | 0                   | (132)                               | (172)   | (304)           |
| Net book value at 31 December      | 26,886             | 36,620              | 41,806              | 2,429                               | 8,596   | 116,337         |
| <b>2003</b>                        |                    |                     |                     |                                     |   |                 |
| Cost                               | 10,523             | 36,779              | 63,882              | 32,202                              | 23,556  | 166,942         |
| Accumulated depreciation           | 0                  | (7,047)             | (26,444)            | (27,345)                            | (16,294)  | (77,130)        |
| Net book value at 31 December      | 10,523             | 29,732              | 37,438              | 4,857                               | 7,262   | 89,812          |
| <b>Company</b>                     |                    |                     |                     |                                     |   |                 |
| <b>2004</b>                        |                    |                     |                     |                                     |   |                 |
| Net book value at 1 January        | 9,293              | 29,732              | 36,175              | 3,289                               | 5,655   | 84,144          |
| Additions                          | 20,539             | 9,300               | 10,175              | 252                                 | 2,564   | 42,830          |
| Disposals                          | (1,193)            | (98)                | (1,392)             | (1,041)                             | (274)   | (3,998)         |
| Depreciation charge                | 0                  | (459)               | (2,078)             | (1,126)                             | (1,895)   | (5,558)         |
| Net book value at 31 December      | 28,639             | 38,475              | 42,880              | 1,374                               | 6,050   | 117,418         |
| Cost                               | 28,639             | 45,929              | 68,518              | 8,398                               | 18,492  | 169,976         |
| Accumulated depreciation           | 0                  | (7,454)             | (25,638)            | (7,024)                             | (12,442)  | (52,558)        |
| Net book value at 31 December      | 28,639             | 38,475              | 42,880              | 1,374                               | 6,050   | 117,418         |
| <b>2003</b>                        |                    |                     |                     |                                     |   |                 |
| Cost                               | 9,293              | 36,779              | 61,854              | 19,539                              | 19,528  | 146,993         |
| Accumulated depreciation           | 0                  | (7,047)             | (25,679)            | (16,250)                            | (13,873)  | (62,849)        |
| Net book value at 31 December      | 9,293              | 29,732              | 36,175              | 3,289                               | 5,655   | 84,144          |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 10 Property, Plant and Equipment *(continued)*

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

|                          | Group                    |                           |                 |                          |                           |                 |
|--------------------------|--------------------------|---------------------------|-----------------|--------------------------|---------------------------|-----------------|
|                          | 2004                     |                           |                 | 2003                     |                           |                 |
|                          | Long leasehold<br>RM'000 | Short leasehold<br>RM'000 | Total<br>RM'000 | Long leasehold<br>RM'000 | Short leasehold<br>RM'000 | Total<br>RM'000 |
| Cost                     | 43,239                   | 898                       | 44,137          | 35,879                   | 900                       | 36,779          |
| Accumulated depreciation | (7,137)                  | (380)                     | (7,517)         | (6,681)                  | (366)                     | (7,047)         |
| Net book value           | 36,102                   | 518                       | 36,620          | 29,198                   | 534                       | 29,732          |

|                          | Company                  |                           |                 |                          |                           |                 |
|--------------------------|--------------------------|---------------------------|-----------------|--------------------------|---------------------------|-----------------|
|                          | 2004                     |                           |                 | 2003                     |                           |                 |
|                          | Long leasehold<br>RM'000 | Short leasehold<br>RM'000 | Total<br>RM'000 | Long leasehold<br>RM'000 | Short leasehold<br>RM'000 | Total<br>RM'000 |
| Cost                     | 45,031                   | 898                       | 45,929          | 35,879                   | 900                       | 36,779          |
| Accumulated depreciation | (7,074)                  | (380)                     | (7,454)         | (6,681)                  | (366)                     | (7,047)         |
| Net book value           | 37,957                   | 518                       | 38,475          | 29,198                   | 534                       | 29,732          |

## 11 Investments in Subsidiary Companies

|   | Company        |                |
|---|----------------|----------------|
|   | 2004<br>RM'000 | 2003<br>RM'000 |
| Unquoted investments at cost                    | 53,153         | 13,467         |
| Less: Allowance for accumulated impairment loss | (14,551)       | (2,968)        |
|   | 38,602         | 10,499         |

## 12 Investments in Associated Companies

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Unquoted investments at cost   | 112,732        | 121,948        | 112,732        | 121,948        |
| Less: Allowance for accumulated impairment loss  | 0              | 0              | (23,897)       | 0              |
|  | 112,732        | 121,948        | 88,835         | 121,948        |
| Share of retained profits less accumulated losses and reserves of associated companies | (17,213)       | 12,844         | 0              | 0              |
| Less: Goodwill written off   | (6,715)        | (3,375)        | 0              | 0              |
| Interests in associated companies  | 88,804         | 131,417        | 88,835         | 121,948        |

Investments in associated companies are represented by:

|  |        |         |
|--|--------|---------|
| Share of net tangible assets of associated companies | 88,804 | 131,417 |
|--|--------|---------|

### 13 Investments in Unquoted Shares

The investments in unquoted shares relate to the investment in DaimlerChrysler Malaysia Sdn Bhd (“DCM”), a joint-venture company with DaimlerChrysler AG (“DCAG”). The Company subscribed for 49% of the shares in DCM, representing 66,003,000 Class B shares at a par value of RM1 each, whilst DCAG subscribed for 51% of the shares in DCM 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 DCM shall not entitle the Company to any veto rights or minority rights except for veto rights under the Malaysian Company law in relation to Class B shares, and accordingly these investments have been accounted for as simple investments instead of an associated company.

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

For the period from January 2003 to December 2007, the Company is entitled to receive an annual net dividend income of RM11.2 million in respect of the investment in DCM. In the event that DCM is unable to declare such dividend in full, DCAG undertakes to pay the shortfall to the extent of RM11.2 million (hereinafter refer to “the minimum assured amount”). The amount receivable from DCAG will be subject to income tax and the Group will effectively receive the net income of RM8.1 million.

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

For the year ended 31 December 2004, the Group recognised the minimum assured amount of RM11,228,700 (2003: RM10,952,000) based on time apportionment basis. In addition, a further RM4.6 million (RM3.3 million after tax) was recognised after DCM paid a gross dividend of RM15.6 million (RM11.2 million after tax) in June, this being the difference between the minimum assured amount recognised in 2003 and the payment by DCM in the form of a dividend.

The fair value of the investment in DCM at 31 December 2004 is RM90,119,000 (2003: RM91,654,000). In determining the fair value, the directors have discounted the future contractual cash flows from January 2005 to December 2007 at the Group's rate of return for similar investment, and on the assumption that the put or call options will be exercised at the end of the fifth anniversary.

### 14 Hire Purchase Receivables

|                                       | Group          |                |
|---------------------------------------|----------------|----------------|
|                                       | 2004<br>RM'000 | 2003<br>RM'000 |
| Gross amount outstanding              | 5,216          | 0              |
| Less: Unearned finance income         | 288            | 0              |
| Allowance for doubtful debts          | 85             | 0              |
|                                       | (373)          | 0              |
|                                       | <b>4,843</b>   | <b>0</b>       |
| Gross amount outstanding:             |                |                |
| Receivable within one year            | 3,548          | 0              |
| Receivable between one and five years | 1,668          | 0              |
|                                       | <b>5,216</b>   | <b>0</b>       |
| Hire purchase receivables:            |                |                |
| Receivable within one year (Note 17)  | 3,245          | 0              |
| Receivable between one and five years | 1,598          | 0              |
|                                       | <b>4,843</b>   | <b>0</b>       |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 15 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         |                |
|--|----------------|----------------|-----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000  | 2003<br>RM'000 |
| Deferred tax assets                              | <b>2,115</b>   | 11,399         | <b>454</b>      | 11,719         |
| At the start of the year                         | <b>11,399</b>  | 16,495         | <b>11,719</b>   | 16,603         |
| Credited/(charged) to income statement: (Note 7) |                |                |                 |                |
| - property, plant and equipment                  | <b>209</b>     | 342            | <b>13</b>       | 320            |
| - tax losses                                     | <b>(1,419)</b> | (1,380)        | <b>0</b>        | 0              |
| - provisions                                     | <b>(6,293)</b> | 517            | <b>(6,265)</b>  | 516            |
| - allowance for stocks                           | <b>(1,679)</b> | (1,151)        | <b>(1,731)</b>  | (1,145)        |
| - allowance for amount due from subsidiary       | <b>0</b>       | 0              | <b>(2,049)</b>  | (1,188)        |
| - accrued income                                 | <b>(77)</b>    | (3,067)        | <b>(77)</b>     | (3,067)        |
| - others   | <b>(684)</b>   | (357)          | <b>(1,156)</b>  | (320)          |
|  | <b>(9,943)</b> | (5,096)        | <b>(11,265)</b> | (4,884)        |
| Acquisition of a subsidiary company (Note 3)     | <b>659</b>     | 0              | <b>0</b>        | 0              |
| At end of the year                               | <b>2,115</b>   | 11,399         | <b>454</b>      | 11,719         |
| Subject to income tax:                           |                |                |                 |                |
| Deferred tax assets (before offsetting)          |                |                |                 |                |
| Property, plant and equipment                    | <b>161</b>     | 21             | <b>0</b>        | 0              |
| Provisions                                       | <b>1,766</b>   | 8,059          | <b>1,766</b>    | 8,031          |
| Tax losses                                       | <b>0</b>       | 1,419          | <b>0</b>        | 0              |
| Allowance for stocks                             | <b>1,855</b>   | 3,026          | <b>1,187</b>    | 2,918          |
| Allowance for amount due from subsidiary         | <b>0</b>       | 0              | <b>0</b>        | 2,049          |
| Others   | <b>1,853</b>   | 2,312          | <b>932</b>      | 2,088          |
|  | <b>5,635</b>   | 14,837         | <b>3,885</b>    | 15,086         |
| Offsetting                                       | <b>(3,520)</b> | (3,438)        | <b>(3,431)</b>  | (3,367)        |
| Deferred tax assets (after offsetting)           | <b>2,115</b>   | 11,399         | <b>454</b>      | 11,719         |
| Deferred tax liabilities (before offsetting)     |                |                |                 |                |
| Property, plant and equipment                    | <b>376</b>     | 371            | <b>287</b>      | 300            |
| Accrued income                                   | <b>3,144</b>   | 3,067          | <b>3,144</b>    | 3,067          |
|  | <b>3,520</b>   | 3,438          | <b>3,431</b>    | 3,367          |
| Offsetting                                       | <b>(3,520)</b> | (3,438)        | <b>(3,431)</b>  | (3,367)        |
| Deferred tax liabilities (after offsetting)      | <b>0</b>       | 0              | <b>0</b>        | 0              |

15 **Deferred Taxation** (continued)

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        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Deductible temporary differences | 6,370          | 1,631          | 12,022         | 0              |
| Tax losses                       | 20,768         | 18,521         | 0              | 0              |

16 **Inventories**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| <b>At cost</b>  |                |                |                |                |
| Production supplies including<br>completely-knocked-down vehicles | 22,440         | 14,176         | 13,344         | 5,066          |
| Work-in-progress  | 2,485          | 5,283          | 913            | 3,677          |
| Finished goods  | 142,715        | 131,801        | 114,259        | 100,965        |
|   | 167,640        | 151,260        | 128,516        | 109,708        |
| <b>At net realisable value</b>                                    |                |                |                |                |
| Production supplies including<br>completely-knocked-down vehicles | 186            | 886            | 186            | 886            |
| Work-in-progress  | 0              | 114            | 0              | 114            |
| Finished goods  | 34,525         | 53,871         | 21,498         | 43,987         |
|   | 34,711         | 54,871         | 21,684         | 44,987         |
|   | 202,351        | 206,131        | 150,200        | 154,695        |

The Group and Company reversed RM9,158,000 and RM7,996,000 (2003: RM22,189,000 and RM21,889,000) respectively in respect of part of inventory write down made in prior years that were subsequently not required as the Group and Company were able to sell these inventories at above their carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 17 Trade and Other Receivables

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Trade receivables                   | 74,194         | 97,761         | 55,772         | 80,830         |
| Less: Allowance for doubtful debts  | (17,226)       | (16,751)       | (16,371)       | (16,346)       |
|                                     | <b>56,968</b>  | <b>81,010</b>  | <b>39,401</b>  | <b>64,484</b>  |
| Warranty claims receivables         | 10,817         | 0              | 9,225          | 0              |
| Less: Allowance for doubtful debts  | (4,221)        | 0              | (4,018)        | 0              |
|                                     | <b>6,596</b>   | <b>0</b>       | <b>5,207</b>   | <b>0</b>       |
| Deposits                            | 788            | 790            | 680            | 738            |
| Prepayment                          | 27             | 87             | 27             | 37             |
| Other receivables                   | 92             | 92             | 0              | 0              |
| Hire purchase receivables (Note 14) | 3,245          | 0              | 0              | 0              |
| Tax recoverable                     | 14,207         | 6,125          | 12,364         | 5,658          |
|                                     | <b>81,923</b>  | <b>88,104</b>  | <b>57,679</b>  | <b>70,917</b>  |

The currency profile of the financial assets which are included within trade and other receivables is as follows:

|                  | Group          |                | Company        |                |
|------------------|----------------|----------------|----------------|----------------|
|                  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Ringgit Malaysia | 67,689         | 76,491         | 45,288         | 59,821         |
| US Dollar        | 0              | 5,401          | 0              | 5,401          |
|                  | <b>67,689</b>  | <b>81,892</b>  | <b>45,288</b>  | <b>65,222</b>  |

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

Concentrations of credit risk with respect to trade receivables are limited due to the more significant debts are partially back 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.

## 18 Short Term Investments

|   | Group and Company |                |
|---|-------------------|----------------|
|   | 2004<br>RM'000    | 2003<br>RM'000 |
| Shares in corporations quoted in Malaysia - at cost       | 3,356             | 3,356          |
| Less: Amount written-down                                 | (1,747)           | (1,977)        |
|   | <b>1,609</b>      | <b>1,379</b>   |
| Market value of shares in corporations quoted in Malaysia | 1,609             | 1,379          |

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

**19 Amounts Due from/(to) Subsidiary Companies**

|  | Company        |                |
|--|----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 |
| Amounts due from subsidiary companies                    | 30,294         | 45,804         |
| Less: Allowance for amount due from a subsidiary company | (6,807)        | (4,350)        |
|  | <b>23,487</b>  | <b>41,454</b>  |
| Amounts due to subsidiary companies                      | (9,859)        | (4,885)        |

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

**20 Cash and Cash Equivalents**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Deposits with licensed banks<br>(with maturity of less than 3 months) | 0              | 36,000         | 0              | 36,000         |
| Bank and cash balances  | 8,277          | 3,769          | 2,409          | 470            |
| Bank overdraft (Note 23)  | 0              | (8,374)        | 0              | (8,374)        |
|   | <b>8,277</b>   | <b>31,395</b>  | <b>2,409</b>   | <b>28,096</b>  |

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

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

|                              | Group and Company |           |
|------------------------------|-------------------|-----------|
|                              | 2004<br>%         | 2003<br>% |
| Deposits with licensed banks | 2.35              | 2.55      |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 21 Provisions for Liabilities and Charges

|   | Service<br>and<br>warranty<br>RM'000 | Retrenchment<br>benefit<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|--------------------------------------|-----------------------------------|------------------|-----------------|
| <b>Group</b>                                      |                                      |                                   |                  |                 |
| At 1 January 2003                                 | 27,060                               | 0                                 | 30               | 27,090          |
| Additional provisions charged to income statement | 9,681                                | 0                                 | 171              | 9,852           |
| Utilised during the year                          | (7,607)                              | 0                                 | 0                | (7,607)         |
| At 31 December 2003                               | 29,134                               | 0                                 | 201              | 29,335          |
| At 1 January 2004                                 | 29,134                               | 0                                 | 201              | 29,335          |
| Additional provisions                             | 3,235                                | 7,000                             | 10               | 10,245          |
| Unused amounts reversed                           | (4,670)                              | 0                                 | 0                | (4,670)         |
| Charged to income statement                       | (1,435)                              | 7,000                             | 10               | 5,575           |
| Utilised during the year                          | (24,896)                             | 0                                 | (61)             | (24,957)        |
| At 31 December 2004                               | 2,803                                | 7,000                             | 150              | 9,953           |
| <b>Company</b>                                    |                                      |                                   |                  |                 |
| At 1 January 2003                                 | 26,808                               | 0                                 | 30               | 26,838          |
| Additional provisions charged to income statement | 9,092                                | 0                                 | 171              | 9,263           |
| Utilised during the year                          | (7,421)                              | 0                                 | 0                | (7,421)         |
| At 31 December 2003                               | 28,479                               | 0                                 | 201              | 28,680          |
| At 1 January 2004                                 | 28,479                               | 0                                 | 201              | 28,680          |
| Additional provisions                             | 2,910                                | 0                                 | 10               | 2,920           |
| Unused amounts reversed                           | (4,365)                              | 0                                 | 0                | (4,365)         |
| Charged to income statement                       | (1,455)                              | 0                                 | 10               | (1,445)         |
| Utilised during the year                          | (24,884)                             | 0                                 | (61)             | (24,945)        |
| At 31 December 2004                               | 2,140                                | 0                                 | 150              | 2,290           |

### Service and warranty

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

### Retrenchment benefit

As a result of early termination of assembly contracts entered into as disclosed in Note 27(b), the Group established a provision for retrenchment benefit. The provision is based on estimated costs required to compensate the redundant work force.

### Others

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

## 22 Trade and Other Payables

|                | Group          |                | Company        |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Trade payables | 46,579         | 47,341         | 24,558         | 30,338         |
| Trade accruals | 19,102         | 25,684         | 16,631         | 20,515         |
|                | 65,681         | 73,025         | 41,189         | 50,853         |

The currency profile of trade payables is as follows:

|                  | Group          |                | Company        |                |
|------------------|----------------|----------------|----------------|----------------|
|                  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Ringgit Malaysia | 61,697         | 73,025         | 37,205         | 50,853         |
| Yen              | 3,984          | 0              | 3,984          | 0              |
|                  | 65,681         | 73,025         | 41,189         | 50,853         |

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

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

## 23 Borrowings (Unsecured)

|                          | Group and Company |                |
|--------------------------|-------------------|----------------|
|                          | 2004<br>RM'000    | 2003<br>RM'000 |
| <b>Current</b>           |                   |                |
| Revolving credits        | 25,000            | 68,000         |
| Bankers acceptance       | 94,479            | 91,610         |
|                          | 119,479           | 159,610        |
| Bank overdraft (Note 20) | 0                 | 8,374          |
|                          | 119,479           | 167,984        |

Contractual terms of borrowings are as follows:

| Group and Company  | Contractual<br>interest rate<br>at balance<br>sheet date<br>(per annum) | Functional<br>currency | Total<br>carrying<br>amount<br>RM'000 | Maturity<br>profile<br><1 year<br>RM'000 |
|--------------------|---|------------------------|---------------------------------------|--|
| <b>2004</b>        |   |                        |                                       |  |
| <b>Unsecured</b>   |   |                        |                                       |  |
| Bank overdraft     | 6.5% - 6.75%  | RM                     | 0                                     | 0  |
| Revolving credits  | 3.3% - 3.8%   | RM                     | 25,000                                | 25,000                                   |
| Bankers acceptance | 2.95% - 3.5%  | RM                     | 97,479                                | 97,479                                   |
| <b>2003</b>        |   |                        |                                       |  |
| <b>Unsecured</b>   |   |                        |                                       |  |
| Bank overdraft     | 6.5% - 6.75%  | RM                     | 8,374                                 | 8,374                                    |
| Revolving credits  | 3.64% - 3.85%   | RM                     | 68,000                                | 68,000                                   |
| Bankers acceptance | 3.35%   | RM                     | 91,610                                | 91,610                                   |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 24 Share Capital

|   | Group and Company |         |         |         |
|---|-------------------|---------|---------|---------|
|   | 2004              |         | 2003    |         |
|   | '000              | RM'000  | '000    | RM'000  |
| <b>(a) Ordinary shares of RM 1 each</b>     |                   |         |         |         |
| <b>Authorised:</b>                          |                   |         |         |         |
| At 1 January/31 December                    | 200,000           | 200,000 | 200,000 | 200,000 |
| <b>Issued and fully paid-up:</b>            |                   |         |         |         |
| At 1 January                                | 100,745           | 100,745 | 98,033  | 98,033  |
| Options exercised during the financial year | 0                 | 0       | 2,712   | 2,712   |
| At 31 December                              | 100,745           | 100,745 | 100,745 | 100,745 |

### (b) Executives' Share Option Scheme

The Company has an Executives' Share Option Scheme (ESOS) which came into effect on 30 June 2000 for a period of five years. The ESOS is governed by the by-laws which were approved by the shareholders on 10 May 2000.

The main features of the ESOS are:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company (inclusive of any options granted and exercised under previous employees' share option scheme).
- Eligible employees are those confirmed full-time employees of grade 1 and above who have served a minimum period of one continuous year or contract employees with contract duration of at least 3 years, or has served at least 3 continuous years before the offering date. Employees who have participated under previous employees' share option scheme may be allowed to participate in the ESOS subject to completion of at least 5 years of continuous service.
- The options granted must be exercised before the expiry of the ESOS.
- The price at which the persons to whom the options have been granted are entitled to take up shares under the ESOS, shall be equal to the average of the mean market quotation (calculated as the average of the highest and lowest prices transacted) of the shares, as shown in the daily diary issued by the Bursa Malaysia Securities Berhad for the 5 market days preceding the date of offer or at the par value of the shares, whichever is higher.
- The persons to whom the options have been granted have no right to participate in more than one employees' share option scheme implemented by any company within the Group.

Set out below are details of options over ordinary shares of the Company granted under the ESOS:

| Grant date   | Exercise price<br>RM/share | At start<br>of the<br>year<br>'000 | Granted<br>'000 | Exercised<br>'000 | Cancelled<br>'000 | At end<br>of the<br>year<br>'000 |
|--------------|----------------------------|------------------------------------|-----------------|-------------------|-------------------|----------------------------------|
| <b>2004</b>  |                            |                                    |                 |                   |                   |                                  |
| 3 July 2000  | 6.09                       | 337                                | 0               | 0                 | (24)              | 313                              |
| 11 July 2001 | 4.66                       | 39                                 | 0               | 0                 | (9)               | 30                               |
| 3 April 2002 | 5.68                       | 138                                | 0               | 0                 | (27)              | 111                              |
|              |                            | 514                                | 0               | 0                 | (60)              | 454                              |

## 24 Share Capital (continued)

| Grant date    | Exercise price<br>RM/share | At start of the year<br>'000 | Granted<br>'000 | Exercised<br>'000 | Cancelled<br>'000 | At end of the year<br>'000 |
|---------------|----------------------------|------------------------------|-----------------|-------------------|-------------------|----------------------------|
| 2003          |                            |                              |                 |                   |                   |                            |
| 3 July 2000   | 6.09                       | 1,126                        | 0               | (708)             | (81)              | 337                        |
| 11 July 2001  | 4.66                       | 1,024                        | 0               | (911)             | (74)              | 39                         |
| 3 April 2002  | 5.68                       | 1,235                        | 0               | (993)             | (104)             | 138                        |
| 14 March 2003 | 4.28                       | 0                            | 100             | (100)             | 0                 | 0                          |
|               |                            | 3,385                        | 100             | (2,712)           | (259)             | 514                        |

All of the above options will expire on 30 June 2005.

|  |              |              |
|--|--------------|--------------|
|  | 2004<br>'000 | 2003<br>'000 |
| Number of share options vested at balance sheet date | 454          | 514          |

Details relating to options exercised during the year are as follows:

| Exercise date                                  | Fair value of shares at share issue date<br>RM/share | Exercise price<br>RM/share | Number of shares issued |                |
|--|--|----------------------------|-------------------------|----------------|
|  |  |                            | 2004<br>'000            | 2003<br>'000   |
| July 2003                                      | 5.10 - 5.40  | 4.66                       | 0                       | 9              |
| August - September 2003                        | 5.30 - 5.90  | 4.28 - 4.66                | 0                       | 180            |
| November 2003                                  | 5.65 - 5.80  | 4.66                       | 0                       | 77             |
| November 2003                                  | 7.25 - 7.90  | 4.66                       | 0                       | 194            |
| November 2003                                  | 7.25 - 7.90  | 5.68                       | 0                       | 148            |
| November 2003                                  | 7.25 - 7.90  | 6.09                       | 0                       | 64             |
| December 2003                                  | 7.05 - 7.60  | 4.66                       | 0                       | 551            |
| December 2003                                  | 7.30 - 7.60  | 5.68                       | 0                       | 845            |
| December 2003                                  | 7.30 - 7.60  | 6.09                       | 0                       | 644            |
|  |  |                            | 0                       | 2,712          |
|  |  |                            | 2004<br>RM'000          | 2003<br>RM'000 |
| Ordinary share capital - at par                |  |                            | 0                       | 2,712          |
| Share premium                                  |  |                            | 0                       | 11,913         |
| Proceeds received on exercise of share options |  |                            | 0                       | 14,625         |
| Fair value at exercise date of shares issued   |  |                            | 0                       | 19,742         |

The fair value of shares issued on the exercise of options is the mean market price at which the Company's shares were traded on the Bursa Malaysia Securities Berhad on the day of the exercise of the options.

## 25 Revenue Reserve

There are sufficient Malaysian (Section 108) tax credits to frank all the revenue reserve of the Company at 31 December 2004 if paid out as dividends.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 26 Cash Flow from Operations

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Net profit attributable to shareholders                     | 14,822         | 24,304         | 32,870         | 49,677         |
| Adjustments for:  |                |                |                |                |
| Property, plant and equipment:                              |                |                |                |                |
| - depreciation (Notes 5 & 10)                               | 7,374          | 8,546          | 5,558          | 7,372          |
| - impairment  | 304            | 0              | 0              | 0              |
| - gain on disposal (Note 5)                                 | (11,079)       | (593)          | (10,854)       | (77)           |
| Interest income (Note 5)                                    | (622)          | (4,498)        | (553)          | (4,484)        |
| Finance cost  | 3,720          | 255            | 3,720          | 255            |
| Provisions  | 5,575          | 9,852          | (1,445)        | 9,263          |
| Write back in value in short term investments               | (230)          | (276)          | (230)          | (276)          |
| Write down in value in subsidiary companies (Note 5)        | 0              | 0              | 11,583         | 0              |
| Write down in value in an associated company (Note 5)       | 0              | 0              | 23,897         | 0              |
| Dividends (gross) from investments (Note 5)                 | (114)          | (75)           | (77,942)       | (32,807)       |
| Minimum assured amount receivable<br>from investment in DCM | (15,872)       | (10,952)       | (15,872)       | (10,952)       |
| Share of results of associated companies                    | (2,186)        | (632)          | 0              | 0              |
| Tax expense (Note 7)  | 10,766         | 14,087         | 27,842         | 18,967         |
|   | (2,364)        | 15,714         | (34,296)       | (12,739)       |
|   | 12,458         | 40,018         | (1,426)        | 36,938         |
| Changes in working capital:                                 |                |                |                |                |
| Inventories   | 18,845         | 183,955        | 4,495          | 200,199        |
| Receivables   | 22,622         | 14,226         | 20,221         | 18,705         |
| Payables  | (9,828)        | (79,771)       | (9,578)        | (76,429)       |
| Provision for liabilities and charges                       | (24,957)       | (7,607)        | (24,945)       | (7,421)        |
| Associated companies' balances                              | 5,726          | (5,373)        | 5,064          | (4,711)        |
| Subsidiary companies' balances                              | 0              | 0              | 22,941         | (21,981)       |
|   | 12,408         | 105,430        | 18,198         | 108,362        |
| Cash flow from operations                                   | 24,866         | 145,448        | 16,772         | 145,300        |

## 27 Discontinuing Operation

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

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

## 27 Discontinuing Operation (continued)

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

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

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

|   | 2004<br>RM'000 | 2003<br>RM'000 |
|---|----------------|----------------|
| Revenue                                 | 10,382         | 265,253        |
| Expenses excluding finance cost and tax | (8,354)        | (257,249)      |
| Profit from operation                   | 2,028          | 8,004          |
| Gain on disposal of assets              | 5,581          | 844            |
| Profit before tax                       | 7,609          | 8,848          |
| Tax expense                             | (2,573)        | (1,787)        |
| Profit after tax                        | 5,036          | 7,061          |

The assets and liabilities attributable to the discontinuance of the Mercedes-Benz wholesale business operation were as follows:

|  | 2004<br>RM'000 | 2003<br>RM'000 |
|--|----------------|----------------|
| Non-current assets - plant & equipment | 108            | 2,844          |
| Current assets                         | 5,976          | 48,680         |
| Total assets                           | 6,084          | 51,524         |
| Current liabilities                    | (1,951)        | (40,447)       |
| Net assets                             | 4,133          | 11,077         |

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

|  | 2004<br>RM'000 | 2003<br>RM'000 |
|--|----------------|----------------|
| Operating activities                                       | 4,311          | 241,817        |
| Investing activities - proceeds from disposal of equipment | 6,554          | 1,030          |
| Total cash flows   | 10,865         | 242,847        |

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

|                                       | 2004<br>RM'000 | 2003<br>RM'000 |
|---------------------------------------|----------------|----------------|
| Net book value of equipment           | 973            | 186            |
| Proceeds from disposal                | 6,554          | 1,030          |
| Gain on disposal before and after tax | 5,581          | 844            |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 27 Discontinuing Operation *(continued)*

(b) Prior to the year end, DaimlerChrysler Malaysia Sdn Bhd (“DCM”) informed the Group that it would like to exercise its options to early terminate the assembly agreements currently undertaken by Asia Automobile Industries Sendirian Berhad (“AAI”) and Srisari Sdn Bhd (“Srisari”), both of which are wholly owned subsidiaries of the Company. AAI currently undertakes to assemble Mercedes-Benz C-Class, S-Class and commercial vehicles (“the Vehicles”) while Srisari, the Mercedes-Benz C-Class, E-Class and S-Class engines (“the Engines”). Both AAI and Srisari are collectively called the “Assemblers”.

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

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

The results attributable to the discontinuing assembling operation during the year were as follows:

|   | 2004<br>RM'000 | 2003<br>RM'000 |
|---|----------------|----------------|
| Revenue                                 | 86,212         | 48,180         |
| Expenses excluding finance cost and tax | (83,107)       | (43,958)       |
| Profit from operation                   | 3,105          | 4,222          |
| Impairment loss of plant and equipment  | (304)          | 0              |
| Provision for retrenchment benefit      | (7,000)        | 0              |
| (Loss)/profit before tax                | (4,199)        | 4,222          |
| Tax expense                             | (971)          | (1,662)        |
| (Loss)/profit after tax                 | (5,170)        | 2,560          |

The assets and liabilities attributable to the discontinuing assembly operation were as follows:

|  | 2004<br>RM'000 | 2003<br>RM'000 |
|--|----------------|----------------|
| Non-current assets - plant & equipment | 675            | 1,479          |
| Non-current asset - deferred tax asset | 750            | 1,512          |
| Current assets                         | 21,426         | 20,969         |
| Total assets                           | 22,851         | 23,960         |
| Current liabilities                    | (30,988)       | (27,521)       |
| Net liabilities                        | (8,137)        | (3,561)        |

**27 Discontinuing Operation** *(continued)*

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

|                                     | 2004<br>RM'000 | 2003<br>RM'000 |
|-------------------------------------|----------------|----------------|
| Operating activities                | (1,390)        | (37)           |
| Proceeds from disposal of equipment | 18             | 0              |
| Purchase of equipment               | (215)          | (293)          |
| Net cash flows                      | (1,587)        | (330)          |

**28 Subsidiary and Associated Companies**

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

|   | Issued<br>capital<br>RM'000 | Group's share |           | Principal activities  |
|---|-----------------------------|---------------|-----------|---|
|   |                             | 2004<br>%     | 2003<br>% |   |
| <b>Subsidiary companies</b>                         |                             |               |           |   |
| Ipoh Motors Sdn Berhad                              | 1,710                       | 100           | 100       | Retailing of motor vehicles, sales of spare parts, servicing of vehicles and business of an insurance agent.      |
| Hercules Automotive Engineers Sendirian Berhad      | 200                         | 100           | 100       | Fitting of motor vehicle accessories.   |
| Asia Automobile Industries Sendirian Berhad         | 4,400                       | 100           | 100       | Assembly of motor vehicles.   |
| Srisari Sdn. Bhd.                                   | 0*                          | 100           | 100       | Assembly of engines.  |
| Cycle & Carriage Automobiles Sendirian Berhad       | 5,000                       | 100           | 100       | Distribution and retailing of motor vehicles, sales of spare parts and servicing of vehicles.                     |
| Cycle & Carriage (Malaysia) Sdn Berhad (see Note 3) | 31,000                      | 100           | -         | Retailing of motor vehicles, sales of spare parts, provision of after-sales services and hire purchase financing. |
| * Issued share capital of RM2                       |                             |               |           |   |
| <b>Associated companies</b>                         |                             |               |           |   |
| CCL Group Properties Sdn Berhad                     | 149,160                     | 40            | 40        | Property investment.  |
| Cycle & Carriage (Malaysia) Sdn Berhad (see Note 3) | 31,000                      | -             | 30        | Retailing of motor vehicles, sales of spare parts, provision of after-sales services and hire purchase financing. |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 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 directors regard Jardine Matheson Holdings Limited as the ultimate holding company.

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

|                                       | Group          |                | Company        |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| <b>(a) With associated companies:</b> |                |                |                |                |
| Sales of goods and services           | 3,272          | 16,900         | 3,268          | 13,184         |
| Dividend income (gross)               | 0              | 0              | 36,344         | 32,807         |
| Purchases of goods and services       | (302)          | (409)          | (214)          | (379)          |
| Rent for land and buildings           | (352)          | (364)          | (352)          | (364)          |
| Internal audit fees                   | (105)          | (420)          | (105)          | (420)          |
| Management fees                       | (123)          | (189)          | (123)          | (189)          |

Sales to and purchases from associated companies are aggregated because these transactions are similar in nature and no single transaction is significant enough to warrant separate disclosure.

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| <b>(b) With directors/companies related to directors:</b>                                  |                |                |                |                |
| Sales of motor vehicles and parts to:  |                |                |                |                |
| - HSBC Bank Malaysia Berhad  | 0              | 422            | 0              | 422            |
| - Datuk Seri Haji Mohamad bin Haji Hasan   | 246            | 0              | 176            | 0              |
| Purchase of advertising services from<br>Saujana Resort (M) Berhad                         | (200)          | (170)          | (200)          | (170)          |
| Purchase of FI tickets from Sepang<br>International Circuit Sdn Bhd                        | (13)           | (189)          | (13)           | (189)          |
| Payment of hotel accommodation,<br>banquet and meeting package to<br>Hyatt Regency Saujana | (119)          | (38)           | (119)          | (38)           |
| Payment of golf tournament expenses<br>to Saujana Resort (M) Berhad                        | 0              | (54)           | 0              | (29)           |

29 Significant Related Party Disclosures (continued)

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| (c) With substantial shareholders and companies related to substantial shareholders:             |                |                |                |                |
| Sales of motor vehicles and parts to:  |                |                |                |                |
| - Jardine Lloyd Thompson Sdn Bhd   | 0              | 241            | 0              | 241            |
| - Jardine Matheson (Malaysia) Sdn Bhd  | 792            | 281            | 792            | 281            |
| - Cycle & Carriage (North Shore) Limited   | 422            | 0              | 422            | 0              |
| - Edaran Otomobil Nasional Berhad  | 125            | 0              | 125            | 0              |
| Receipt of incentives from Edaran Otomobil Nasional Berhad                                       |                |                |                |                |
|  | 139            | 0              | 0              | 0              |
| Receipt of finance commission from EON Finance Berhad  |                |                |                |                |
|  | 205            | 0              | 0              | 0              |
| Purchase of goods and parts from:  |                |                |                |                |
| - Edaran Otomobil Nasional Berhad  | (14,574)       | 0              | 0              | 0              |
| - Johnson Control Automotive Interiors (Malaysia) Sdn Bhd  | (6)            | (2,850)        | 0              | (2,840)        |
| - Johnson Control Automotive Seating (M) Sdn Bhd   | (1,027)        | (13,128)       | (1,027)        | (13,128)       |
| Payment to Jardine Cycle & Carriage Limited:   |                |                |                |                |
| - management service   | (468)          | (399)          | (468)          | (399)          |
| - share of group umbrella crime insurance premium  | (320)          | 0              | (320)          | 0              |
| Payment of IT Services to Cycle & Carriage Industries Pte Limited                                |                |                |                |                |
|  | (21)           | 0              | 0              | 0              |
| Payment of insurance premiums to Jardine Lloyd Thompson Sdn Bhd                                  |                |                |                |                |
|  | (654)          | (420)          | (461)          | (316)          |
| Payment of consultancy fees to Jardine Lloyd Thompson Sdn Bhd                                    |                |                |                |                |
|  | (32)           | 0              | (32)           | 0              |
| Payment of hotel accommodation & banquet to:   |                |                |                |                |
| - Concorde Hotel   | 0              | (11)           | 0              | (11)           |
| - Mandarin Oriental Kuala Lumpur   | 0              | (34)           | 0              | (34)           |
| Payment of rental of promotion space to Dairy Farm Giant Properties Sdn Bhd                      |                |                |                |                |
|  | 0              | (4)            | 0              | (3)            |
| Payment of computer software and peripherals to Jardine OneSolution (2001) Sdn Bhd               |                |                |                |                |
|  | (1,179)        | (149)          | (979)          | (141)          |
| Payment of professional fees on processes studies to Jardine India Software Technologies Pvt Ltd |                |                |                |                |
|  | 0              | (221)          | 0              | (221)          |
| Payment of consultancy and course fees to Jardine Matheson & Co., Ltd                            |                |                |                |                |
|  | (376)          | (354)          | (376)          | (354)          |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 29 Significant Related Party Disclosures *(continued)*

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| <b>(d) With principal officers:</b> |                |                |                |                |
| Sale of motor vehicle to            |                |                |                |                |
| - Teo Woon Hud                      | 0              | 424            | 0              | 424            |
| - Chau Sik Cheong                   | 130            | 0              | 130            | 0              |

(e) The details of options over ordinary shares of the Company granted to the executive director of the Company and the exercise of such options during the year are as disclosed in Note 6.

Relationships with the above related parties are as follows:

| Related party   | Relationship   |
|---|--|
| Johnson Control Automotive Interiors (Malaysia) Sdn Bhd and Johnson Control Automotive Seating (M) Sdn Bhd  | Companies in which Jardine Matheson Holdings Limited, the ultimate holding company of the Company has indirect interest through its interest in Edaran Otomobil Nasional Berhad. |
| Edaran Otomobil Nasional Berhad and EON Finance Berhad  | Companies in which Jardine Matheson Holdings Limited, the ultimate holding company of the Company has interest.  |
| Saujana Resort (M) Berhad and Hyatt Regency Saujana   | Companies in which Datuk Hassan Abas, a director of the Company has interest via the Saujana group of companies.   |
| Sepang International Circuit Sdn Bhd  | A company in which Datuk Hassan Abas and Syed Zaid bin Syed Jaffar Albar, directors of the Company are also directors.   |
| HSBC Bank Malaysia Berhad   | A company in which Dato' Sulaiman bin Sujak, a director of the Company is also a director.   |
| Jardine Cycle & Carriage Limited (*)  | The holding company of the Company.  |
| Cycle & Carriage (North Shore) Limited, Cycle & Carriage Industries Pte Limited and Concorde Hotel  | Subsidiary and associated companies of Jardine Cycle & Carriage Limited, the holding company of the Company.   |
| Jardine Matheson & Co., Ltd, Jardine India Software Technologies Pvt Ltd, Jardine OneSolution (2001) Sdn Bhd, Dairy Farm Giant Properties Sdn Bhd, Mandarin Oriental Kuala Lumpur, 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.   |

\* Jardine Cycle & Carriage Limited ("JCCL") has a 46.78% shareholding in the Company, and a further 12.32% shareholding was purchased from J.I. Motor Holdings B.V., a wholly owned subsidiary of Jardine Motors Group Limited, a fellow subsidiary within the Jardine Matheson Group, on 30 August 2004. JCCL is now the holding company of the Company with 59.1% shareholding in the Company.

## 29 Significant Related Party Disclosures *(continued)*

| Related party                          | Relationship   |
|--|--|
| Datuk Seri Haji Mohamad bin Haji Hasan | A former Managing Director of the Company and the Group.             |
| Chau Sik Cheong                        | A former Director of Finance of the Company and the Group.           |
| Teo Woon Hud                           | A former General Manager - Sales & Marketing (Mazda) of the Company. |

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 liabilities related to purchase of stocks based on confirmed orders.

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

|  | Group and Company |              |
|--|-------------------|--------------|
|  | 2004              | 2003         |
|  | RM'000            | RM'000       |
| Euro Dollar - Nil<br>(2003: at rates averaging Euro 1 = RM4.3014)                  | 0                 | 6,384        |
| Japanese Yen - at rates averaging Yen 100 = RM3.7151<br>(2003: Yen 100 = RM3.5738) | 9,914             | 3,514        |
|  | <b>9,914</b>      | <b>9,898</b> |
| Fair value at 31 December ((unfavourable)/favourable net position of)              | <b>(44)</b>       | 735          |

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

## 31 Contingent Liabilities (Unsecured)

- At 31 December 2004, the Group and Company had contingent liabilities in respect of various legal claims against the Company amounting to RM2,290,000 (2003: RM1,020,000). After taking appropriate legal advice, the directors are of the opinion that the outcome of such actions is unlikely to give rise to any significant loss to the Group and Company.
- At 31 December 2004, the Group and Company had contingent liabilities in respect of recognition of "years of service" in the Company in the event of a "retrenchment or closure exercise" by DaimlerChrysler Malaysia Sdn Bhd ("DCM") in respect of those former employees who opted to join DCM amounting to RM4,600,000 (2003: RM4,900,000).
- On 18 April 2004, the Company was served an Originating Summons from the solicitors of Hup Lee Coachbuilders Holdings Sdn Bhd ("Hup Lee") for a claim of RM5 million. An amended Originating Summons was served on 1 July 2003 increasing the claim. Hup Lee claimed RM8 million plus interest accrued thereon being alleged wrongful payment made by Hup Lee to the Company in 1997 in respect of some units of bus chassis supplied by the Company to Transit Link Sdn Bhd. Hup Lee was then the appointed bus body builder of Transit Link Sdn Bhd.

This Originating Summons was dismissed by the Court on 6 January 2004. Hup Lee subsequently served a Writ of Summons against the Company on 10 February 2004 on the above claim. The Company filed its defence on 2 March 2004. The hearing on the Company's application to strike out the claim and the mention on Case Management rescheduled on 16 December 2004 has been postponed by the Court to 16 March 2005. Based on legal advice, the directors believe that the Company has a reasonable chance of successfully defending the action.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

## 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 DaimlerChrysler Malaysia Sdn Bhd.
- Other - property investment through associated company, CCL Group Properties Sdn Berhad.

|                                | Automobile<br>industry<br>RM'000 | Investment<br>RM'000 | Other<br>RM'000 | Total<br>RM'000 |
|--------------------------------|----------------------------------|----------------------|-----------------|-----------------|
| <b>2004</b>                    |                                  |                      |                 |                 |
| Revenue                        | 757,262                          | 0                    | 0               | 757,262         |
| Results:                       |                                  |                      |                 |                 |
| Segment results                | 11,250                           | 15,872               | 0               | 27,122          |
| Finance cost                   | (3,720)                          | 0                    | 0               | (3,720)         |
| Share of results of associates | 37                               | 0                    | 2,149           | 2,186           |
|                                |                                  |                      |                 | 25,588          |
| Tax expense                    |                                  |                      |                 | (10,766)        |
| Net profit                     |                                  |                      |                 | 14,822          |

At 31 December 2004

|                          |         |        |        |         |
|--------------------------|---------|--------|--------|---------|
| Net assets:              |         |        |        |         |
| Segment assets           | 386,659 | 77,232 | 0      | 463,891 |
| Investment in associates | 0       | 0      | 88,804 | 88,804  |
| Unallocated assets       |         |        |        | 16,322  |
|                          |         |        |        | 569,017 |
| Segment liabilities      | 195,172 | 0      | 0      | 195,172 |
| Unallocated liabilities  |         |        |        | 36      |
|                          |         |        |        | 195,208 |

2003

|                                |         |        |      |          |
|--------------------------------|---------|--------|------|----------|
| Revenue                        | 871,761 | 0      | 0    | 871,761  |
| Results:                       |         |        |      |          |
| Segment results                | 27,062  | 10,952 | 0    | 38,014   |
| Finance cost                   | (255)   | 0      | 0    | (255)    |
| Share of results of associates | 722     | 0      | (90) | 632      |
|                                |         |        |      | 38,391   |
| Tax expense                    |         |        |      | (14,087) |
| Net profit                     |         |        |      | 24,304   |

### 32 Segment Reporting *(continued)*

|                          | Automobile<br>industry<br>RM'000 | Investment<br>RM'000 | Other<br>RM'000 | Total<br>RM'000 |
|--------------------------|----------------------------------|----------------------|-----------------|-----------------|
| At 31 December 2003      |                                  |                      |                 |                 |
| Net assets:              |                                  |                      |                 |                 |
| Segment assets           | 413,814                          | 76,955               | 0               | 490,769         |
| Investment in associates | 14,380                           | 0                    | 117,037         | 131,417         |
| Unallocated assets       |                                  |                      |                 | 17,524          |
|                          |                                  |                      |                 | 639,710         |
| Segment liabilities      | 270,373                          | 0                    | 0               | 270,373         |
| Unallocated liabilities  |                                  |                      |                 | 48              |
|                          |                                  |                      |                 | 270,421         |
| At 31 December 2004      |                                  |                      |                 |                 |
| Other information:       |                                  |                      |                 |                 |
| Capital expenditure      | 25,882                           | 0                    | 0               | 25,882          |
| Investment in subsidiary | 22,572                           | 0                    | 0               | 22,572          |
| Depreciation             | 7,374                            | 0                    | 0               | 7,374           |
| At 31 December 2003      |                                  |                      |                 |                 |
| Other information:       |                                  |                      |                 |                 |
| Capital expenditure      | 3,324                            | 66,003               | 0               | 69,327          |
| Depreciation             | 8,546                            | 0                    | 0               | 8,546           |

### 33 Capital Commitments

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

|                             | Group          |                | Company        |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2004<br>RM'000 | 2003<br>RM'000 | 2004<br>RM'000 | 2003<br>RM'000 |
| Approved and contracted     | 20,069         | 5,997          | 20,029         | 1,808          |
| Approved but not contracted | 6,304          | 1,451          | 6,304          | 1,015          |
|                             | 26,373         | 7,448          | 26,333         | 2,823          |

The capital expenditure commitments are for acquisition of property, plant and equipment.

### 34 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 February 2005.