

### **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 2005.

### 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. The subsidiaries involved in assembly of engine and vehicle have ceased assembly during the financial year (Note 26(b)). Other than this there was no significant change in the nature of these activities during the financial year.

### Financial Results

	Group RM'000	Company RM'000
Profit before tax	33,428	24,895
Tax expense	(9,520)	(8,053)
Net profit attributable to shareholders	23,908	16,842

### Dividends

The dividends paid or declared by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004, 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 2005	7,254
In respect of the financial year ended 31 December 2005:	
Interim gross dividend of 5 sen per share on 100,744,500 ordinary shares, less income tax, paid on 10 September 2005	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 23 June 2006 to shareholders whose names appear in the Company's Register of Members and Record of Depositors on 31 May 2006.

### 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 23(b) to the financial statements.

Since the implementation of ESOS in 2000, 1,021,000 (2004: 567,000) ordinary shares were cancelled upon resignation of employees, non-acceptance of offers by employees or upon expiry of the ESOS on 30 June 2005.

## Directors

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

Tan Sri Abdul Halim bin Ali  
 Dato' Khalid bin Haji Ismail  
 Steven Gareth Foster  
 Datuk Hassan Abas  
 Tan Sri Abdul Rashid Hussain  
 Dato' Kamaruddin bin Mahmood  
 Syed Zaid bin Syed Jaffar Albar  
 Neville Barry Venter  
 Dato' Sulaiman bin Sujak  
 Adam Phillip Charles Keswick  
 Cheah Kim Teck  
 Anthony John Liddell Nightingale (resigned on 31.12.2005)  
 Joshua Lariston Knightley Chetwode  
 (Alternate to Neville Barry Venter)

In accordance with the Company's Articles of Association, Neville Barry Venter, Dato' Khalid bin Haji Ismail and Adam Phillip Charles Keswick retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

## Directors' Benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 5 and Note 28(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' Interests in Shares

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

	Number of ordinary shares of RM1 each			
	At 1.1.2005	Acquired	Sold	At 31.12.2005
Shares in the Company held by:				
Dato' Khalid bin Haji Ismail	8,000	0	0	8,000

	Number of ordinary shares of S\$1 each			
	At 1.1.2005/ date of appointment*	Acquired	Sold	At 31.12.2005
Shares in Jardine Cycle & Carriage Limited held by:				
Cheah Kim Teck	11,001*	135,000	(135,000)	11,001
Neville Barry Venter	0	80,000	(80,000)	0

## Directors' Report

### Directors' Interests in Shares (continued)

	Options over ordinary shares of S\$1 each			
	At 1.1.2005/ date of appointment*	Granted	Exercised	At 31.12.2005
Options in Jardine Cycle & Carriage Limited held by:				
Cheah Kim Teck	235,000*	0	(135,000)	100,000
Neville Barry Venter	160,000	0	(80,000)	80,000

	Number of ordinary shares of S\$1 each			
	At date of appointment	Acquired	Sold	At 31.12.2005
Shares in MCL Land Limited held by:				
Cheah Kim Teck	5,000	0	0	5,000

	Number of ordinary shares of US\$0.25 each			
	At 1.1.2005	Acquired	Sold	At 31.12.2005
Shares in Jardine Matheson Holdings Limited ("JMHL") held by:				
Adam Phillip Charles Keswick	842,480	0	0	842,480
Adam Phillip Charles Keswick <sup>#</sup>	26,829,566	633,489	0	27,463,055
Neville Barry Venter	0	8,000	0	8,000

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

At 31 December 2005, Adam Phillip Charles Keswick and Dato' Khalid bin Haji Ismail had deemed interests in 35,915,991 ordinary shares in JMHL as discretionary objects under the 1947 Trust, the income of which is available for distribution to senior executive officers and employees of JMHL and its wholly owned subsidiaries.

	Options over ordinary shares of US\$0.25 each			
	At 1.1.2005	Granted	Exercised	At 31.12.2005
Options in JMHL held by:				
Neville Barry Venter	8,000	0	(8,000)	0
Dato' Khalid bin Haji Ismail	25,000	0	0	25,000
Adam Phillip Charles Keswick	150,000	50,000	0	200,000
Steven Gareth Foster	16,000	0	0	16,000
Joshua Lariston Knightley Chetwode	15,000	0	0	15,000

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

### Statutory Information on the Financial Statements

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

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

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

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

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

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

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

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

In the opinion of the directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than items disclosed in Note 4, Note 12 and Note 26(b) to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

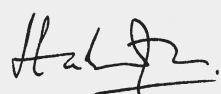
### Ultimate Holding Company

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

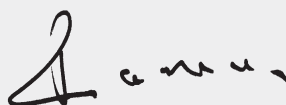
### Auditors

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2006.



TAN SRI ABDUL HALIM BIN ALI  
Director



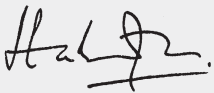
TAN SRI ABDUL RASHID HUSSAIN  
Director

**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 56 to 93 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 2005 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2006.



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 56 to 93 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 : 27 February 2006

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 56 to 93. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia 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 2005 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



LEE TUCK HENG  
(No. 2092/09/06 (J))  
Partner of the firm

Kuala Lumpur  
27 February 2006

## Consolidated Income Statement

For the financial year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
REVENUE	3	760,682	757,262
Cost of sales		(673,602)	(661,891)
Gross profit		87,080	95,371
Other operating income		28,704	30,415
Selling and distribution costs		(57,942)	(66,608)
Administrative expenses		(23,020)	(21,807)
Other operating expenses		(814)	(10,249)
PROFIT FROM OPERATIONS	4	34,008	27,122
FINANCE COST – interest expense on borrowings		(2,872)	(3,720)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		2,292	2,186
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX		33,428	25,588
TAX EXPENSE			
– Company and subsidiary companies		(8,957)	(7,912)
– associated companies		(563)	(2,854)
	6	(9,520)	(10,766)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		23,908	14,822
Dividends per share (sen)	7	15	15
Earnings per share (sen)			
– basic	8	23.7	14.7
– diluted	8	N/A	14.7

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Consolidated Balance Sheet

As at 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	136,292	116,337
Investment in an associated company	11 & 27	9,374	88,804
Investment in unquoted shares	12	66,003	66,003
Hire purchase receivables	13	278	1,598
Deferred tax assets	14	1,284	2,115
<b>CURRENT ASSETS</b>			
Inventories	15	236,994	202,351
Trade and other receivables	16	105,206	81,923
Amount due from an associated company		19	0
Short term investment	17	918	1,609
Bank and cash balances	19	14,040	8,277
		<b>357,177</b>	<b>294,160</b>
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	20	(2,858)	(9,953)
Trade and other payables	21	(53,804)	(65,681)
Borrowings (unsecured)	22	(125,200)	(119,479)
Amount due to an associated company		0	(59)
Taxation		(524)	(36)
		<b>(182,386)</b>	<b>(195,208)</b>
<b>NET CURRENT ASSETS</b>		<b>174,791</b>	<b>98,952</b>
<b>NON CURRENT LIABILITY</b>			
Deferred tax liabilities	14	(2,179)	0
		<b>385,843</b>	<b>373,809</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	23	100,745	100,745
Share premium		23,857	23,857
Revaluation reserve		0	624
Translation reserve		0	10,100
Revenue reserve		261,241	238,483
		<b>385,843</b>	<b>373,809</b>

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2005

	Issued and fully paid ordinary shares of RM1 each		Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Revenue reserve RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000					
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 exchange difference	0	0	0	0	1,275	0	1,275
Share of associated company's revaluation reserve	0	0	0	184	0	0	184
Negative goodwill on acquisition of subsidiary	0	0	0	0	0	1,836	1,836
Adjustment for prior year's overstatement of gain in associated company	0	0	0	0	0	(2,716)	(2,716)
Net gain/(loss) not recognised in the 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
At 31 December 2004	100,745	100,745	23,857	624	10,100	238,483	373,809
Net profit for the financial year	0	0	0	0	0	23,908	23,908
Dividends for the financial year ended:							
– 31 December 2004	0	0	0	0	0	(7,254)	(7,254)
– 31 December 2005	0	0	0	0	0	(3,627)	(3,627)
Share of associated company's exchange difference	0	0	0	0	(993)	0	(993)
Share of associated company's revaluation reserve	0	0	0	(624)	0	624	0
Transfer to revenue reserve on liquidation of subsidiaries of associated company	0	0	0	0	(9,107)	9,107	0
Net (loss)/gain not recognised in the income statement	0	0	0	(624)	(10,100)	9,731	(993)
At 31 December 2005	100,745	100,745	23,857	0	0	261,241	385,843

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Consolidated Cash Flow Statement

For the financial year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operations	25	(44,773)	24,866
Interest paid		(2,536)	(3,806)
Interest received		228	622
Taxation paid		(531)	(1,215)
Retrenchment benefit paid	20	(6,790)	0
		(9,629)	(4,399)
Net cash flow from operating activities		(54,402)	20,467
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		1,492	15,488
Proceeds from disposal of short term investment		2	0
Purchase of property, plant and equipment		(27,644)	(25,882)
Investment in subsidiary company		0	(22,572)
Interim capital distribution from an associated company	11	69,755	0
Dividends received		21,720	40,393
Net cash flow from investing activities		65,325	7,427
<b>FINANCING ACTIVITIES</b>			
Revolving credits and bankers acceptance		5,721	(40,131)
Dividends paid		(10,881)	(10,881)
Net cash flow from financing activities		(5,160)	(51,012)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>5,763</b>	<b>(23,118)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>8,277</b>	<b>31,395</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	19	<b>14,040</b>	<b>8,277</b>

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Company Income Statement

For the financial year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
REVENUE	3	508,287	510,184
Cost of sales		(455,182)	(450,600)
Gross profit		53,105	59,584
Other operating income		29,679	108,580
Selling and distribution costs		(34,273)	(41,054)
Administrative expenses		(19,014)	(17,175)
Other operating expenses		(1,730)	(45,503)
PROFIT FROM OPERATIONS	4	27,767	64,432
FINANCE COST – interest expense on borrowings		(2,872)	(3,720)
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX		24,895	60,712
TAX EXPENSE	6	(8,053)	(27,842)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		16,842	32,870
Dividends per share (sen)	7	15	15

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Company Balance Sheet

As at 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	138,870	117,418
Investments in subsidiary companies	10 & 27	38,602	38,602
Investment in an associated company	11 & 27	9,097	88,835
Investment in unquoted shares	12	66,003	66,003
Deferred tax assets	14	0	454
<b>CURRENT ASSETS</b>			
Inventories	15	191,624	150,200
Trade and other receivables	16	82,828	57,679
Short term investment	17	918	1,609
Amounts due from subsidiary companies	18	30,926	23,487
Amount due from an associated company		18	0
Bank and cash balances	19	3,459	2,409
		<b>309,773</b>	<b>235,384</b>
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	20	(2,067)	(2,290)
Trade and other payables	21	(39,400)	(41,189)
Amounts due to subsidiary companies	18	(13,718)	(9,859)
Amount due to an associated company		0	(59)
Borrowings (unsecured)	22	(125,200)	(119,479)
		<b>(180,385)</b>	<b>(172,876)</b>
<b>NET CURRENT ASSETS</b>		<b>129,388</b>	<b>62,508</b>
<b>NON CURRENT LIABILITY</b>			
Deferred tax liabilities	14	(2,179)	0
		<b>379,781</b>	<b>373,820</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	23	100,745	100,745
Share premium		23,857	23,857
Other reserve		0	366
Revenue reserve	24	255,179	248,852
		<b>379,781</b>	<b>373,820</b>

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Company Statement of Changes in Equity

For the financial year ended 31 December 2005

	Issued and fully paid ordinary shares of RM1 each		Non-Distributable		Distributable Revenue reserve RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserve* RM'000		
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 of property, plant and equipment	0	0	0	(240)	240	0
Net (loss)/gain not recognised in the income statement	0	0	0	(240)	240	0
At 31 December 2004	100,745	100,745	23,857	366	248,852	373,820
At 31 December 2004	<b>100,745</b>	<b>100,745</b>	<b>23,857</b>	<b>366</b>	<b>248,852</b>	<b>373,820</b>
Net profit for the financial year	0	0	0	0	16,842	16,842
Dividends for the financial year ended:						
– 31 December 2004	0	0	0	0	(7,254)	(7,254)
– 31 December 2005	0	0	0	0	(3,627)	(3,627)
Transfer to revenue reserve on realisation of property, plant and equipment	0	0	0	(366)	366	0
Net (loss)/gain not recognised in the income statement	0	0	0	(366)	366	0
At 31 December 2005	<b>100,745</b>	<b>100,745</b>	<b>23,857</b>	<b>0</b>	<b>255,179</b>	<b>379,781</b>

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

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Company Cash Flow Statement

For the financial year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operations	25	(56,202)	16,772
Interest paid		(2,536)	(3,807)
Interest received		207	553
Taxation paid		0	0
		(2,329)	(3,254)
Net cash flow from operating activities		(58,531)	13,518
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		509	14,852
Proceeds from disposal of short term investment		2	0
Purchase of property, plant and equipment		(27,165)	(42,830)
Investment in subsidiary company		0	(30,470)
Interim capital distribution from an associated company	11	69,755	0
Dividends received		21,640	70,255
Net cash flow from investing activities		64,741	11,807
<b>FINANCING ACTIVITIES</b>			
Revolving credits and bankers acceptance		5,721	(40,131)
Dividends paid		(10,881)	(10,881)
Net cash flow from financing activities		(5,160)	(51,012)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>1,050</b>	<b>(25,687)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>2,409</b>	<b>28,096</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	19	<b>3,459</b>	<b>2,409</b>

The accounting policies on pages 64 to 68 and the notes on pages 69 to 93 form an integral part of these financial statements.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2005

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 MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB 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.

Investments in subsidiary companies are 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 27.

### 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.

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 company is shown in Note 27.

## 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.

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.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2005

### 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.

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

### 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	2005 RM	2004 RM
1 EURO	4.4864	5.1743
100 Yen	3.2095	3.6965

### 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 and return on investment - 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.

### **(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 statements.

## **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.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2005

### 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 23(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 2005

### 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 subsidiaries involved in assembly of engine and vehicle have ceased operations during the financial year (Note 26(b)).

The number of employees at the end of the financial year amounted to 676 (2004: 1,026) in the Group and 461 (2004: 499) in the Company respectively.

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

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

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

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

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

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

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

### 2 Financial Risk Management Objectives and Policies

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

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

#### Foreign currency exchange risk

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

#### Interest rate risk

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

#### Credit risk

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

#### Liquidity and cash flow risk

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

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 3 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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sales of goods	680,332	642,852	486,590	489,009
Servicing of motor vehicles	28,851	28,198	21,697	21,175
Assembly fees	51,499	86,212	0	0
	<b>760,682</b>	<b>757,262</b>	<b>508,287</b>	<b>510,184</b>

### 4 Profit from Operations

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit from operations is determined after charging/(crediting):				
Rent for land and buildings	1,851	2,199	1,137	1,809
Hire of plant and machinery	4	22	0	0
Auditors' remuneration	277	277	170	170
Allowance/(write back) for doubtful debts:				
– amount due from a subsidiary company	0	0	1,571	2,457
– trade receivables	(732)	(285)	(356)	32
– warranty claims receivables	1,235	4,330	1,308	4,128
(Write back)/provision for contingent loss in a subsidiary company	0	0	(4,271)	5,215
Provisions for diminution in value for (Note 25):				
– investments in subsidiary companies	0	0	0	11,583
– investment in an associated company	0	0	3,857	23,897
Staff costs	45,506	53,739	29,150	30,807
Provision/(write back) for voluntary separation scheme costs	335	2,875	(116)	2,280
(Write back)/provision for retrenchment benefit	(210)	7,000	0	0
Compensation received on cessation of assembly operations (Note 26(b)):				
– early separation	1,800	0	0	0
– subsidy for retrenchment cost	1,300	0	0	0
Property, plant and equipment:				
– depreciation (Note 9)	7,147	7,374	5,413	5,558
– impairment loss included within 'other operating expenses'	0	304	0	0
– gains on disposal (Note 25)	(950)	(11,079)	(209)	(10,854)
Net exchange (gain)/loss:				
– unrealised	(3)	(9)	(3)	(9)
– realised	(10)	60	(10)	60
Reversal of part of prior year inventory write down	(2,361)	(9,158)	(1,457)	(7,996)
Interest income from deposits (Note 25)	(228)	(622)	(207)	(553)
Dividends (gross) from (Note 25):				
– unquoted investments in subsidiary companies	0	0	0	(41,598)
– unquoted investment in an associated company	0	0	(5,355)	(36,344)
– unquoted investments	(113)	(114)	0	0
Gain of disposal of unquoted investment	(866)	0	0	0
Rental income	(81)	(648)	(2,541)	(2,809)
Write down/(write back) on short term investment (Note 25)	689	(230)	689	(230)

#### 4 Profit from Operations (continued)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Investment in DCM (gross) (Note 12):				
– return on investment	(15,595)	(11,229)	(15,595)	(11,229)
– amount recognised on receipt of dividend	(4,367)	(4,643)	(4,367)	(4,643)
Income for facility development	(5,000)	0	(5,000)	0
Income for allowing renovation during tenancy of properties pending completion of disposal (Note 33)	(700)	0	(700)	0

Included in staff costs is contribution to the Employees Provident Fund of RM4,442,000 (2004: RM5,759,000) for the Group and RM2,816,000 (2004: RM3,245,000) for the Company.

#### 5 Directors' Remuneration

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

##### Non-Executive Directors

Tan Sri Abdul Halim bin Ali	
Dato' Khalid bin Haji Ismail	
Datuk Hassan Abas	
Tan Sri Abdul Rashid Hussain	
Dato' Kamaruddin bin Mahmood	
Syed Zaid bin Syed Jaffar Albar	
Neville Barry Venter	
Dato' Sulaiman bin Sujak	
Adam Phillip Charles Keswick	
Cheah Kim Teck	(appointed on 2.2.2005)
Anthony John Liddell Nightingale	(resigned on 31.12.2005)
Philip Eng Heng Nee	(resigned on 2.2.2005)
Joshua Lariston Knightley Chetwode (Alternate to Neville Barry Venter)	

##### Executive Director

Steven Gareth Foster

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

	Group and Company	
	2005 RM'000	2004 RM'000
Non-Executive Directors:		
– fees	647	650
– salaries and bonus	312*	582*
– estimated money value of benefits-in-kind	44*#	171*#
Executive Directors:		
– salaries and bonus	1,322	1,599
– gratuity	0	600
– estimated money value of benefits-in-kind	329@	196@
– defined contribution retirement plan	99@	151@
	<b>2,753</b>	<b>3,949</b>

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

# The amounts also include estimated money value of benefits-in-kind of RM29,000 (2004: RM29,000) in relation to Tan Sri Abdul Halim bin Ali, the Chairman of the Group and Company.

@ The amounts include amount payable to Jardine Matheson & Co., Ltd and Jardine Cycle & Carriage Limited of RM352,000 (2004: RM198,000).

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 6 Tax Expense

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>In Malaysia</b>				
Current tax:				
– Company and subsidiary companies	5,947	(2,031)	4,350	9,308
– associated companies	563	2,307	0	0
Deferred tax:				
– Company and subsidiary companies (Note 14)	3,010	9,943	2,633	11,265
– associated companies	0	547	0	0
<b>Outside Malaysia</b>				
Current tax:				
– Company and subsidiary companies	0	0	1,070	7,269
	9,520	10,766	8,053	27,842
Current tax:				
– current year	7,283	465	5,568	16,300
– benefit from previously unrecognised temporary difference and tax losses	(522)	(671)	0	0
– (over)/underaccrual in prior years (net)	(251)	482	(148)	277
Deferred tax:				
– origination and reversal of temporary differences	3,010	9,071	2,633	11,265
– write down of deferred tax assets	0	1,419	0	0
	9,520	10,766	8,053	27,842

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	
	2005 %	2004 %	2005 %	2004 %
Malaysian tax rate	28	28	28	28
Tax effects of:				
– lower tax rate	0	0	(2)	(5)
– expenses not deductible for tax purposes	5	6	7	22
– current year's tax losses not recognised	1	0	0	0
– tax losses previously recognised as deferred tax asset, now reversed	0	2	0	0
– temporary differences previously recognised as deferred tax asset, now reversed	1	0	0	0
– current year's temporary differences not recognised	1	4	0	0
– (over)/underaccrual in prior years (net)	(1)	2	(1)	1
– utilisation of previously unrecognised tax losses	(2)	0	0	0
– income not subject to tax	(3)	0	0	0
– utilisation of previously unrecognised temporary differences	(2)	0	0	0
Average effective tax rate	28	42	32	46

Included in tax expense of the Group is tax savings amounting to RM20,000 (2004: RM Nil) from utilisation of current year tax losses.

Tax savings during the financial year due to recognition of previously unrecognised tax losses amounted to RM522,000 (2004: RM Nil).

## 7 Dividends

Dividends declared or proposed in respect of the financial years ended 31 December 2004 and 2005 are as follows:

	Group and Company			
	2005		2004	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend paid	5	3,627	5	3,627
Final dividend proposed	10	7,254	10	7,254
	15	10,881	15	10,881

At the forthcoming Annual General Meeting on 10 May 2006, a final gross dividend in respect of the financial year ended 31 December 2005 of 10 sen per share (2004: 10 sen per share), less income tax, amounting to RM7,254,000 (2004: 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 2006.

## 8 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	
	2005 RM'000	2004 RM'000
Net profit attributable to shareholders (RM'000)	23,908	14,822
Weighted average number of ordinary shares in issue ('000)	100,745	100,745
Basic earnings per share (sen)	23.7	14.7

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 which has expired on 30 June 2005 and therefore are no longer relevant for the computation of diluted earnings per share. For comparison figure, 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	
	2005	2004
Net profit attributable to shareholders (RM'000)	N/A	14,822
Weighted average number of ordinary shares:		
– in issue during the financial year ('000)	N/A	100,745
– adjustments for share options ('000)	N/A	0
– for diluted earnings per share calculation ('000)	N/A	100,745
Diluted earnings per share (sen)	N/A	14.7

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 9 Property, Plant and Equipment

	Land		Buildings RM'000	Plant and machinery RM'000	Motor vehicles, equipment and fixtures RM'000	Assets under construction RM'000	Total RM'000
	Freehold RM'000	Leasehold RM'000					
<b>Group</b>							
<b>2005</b>							
Net book value at 1 January	26,886	36,620	41,806	2,429	8,596	0	116,337
Reclassification	0	0	(2,782)	0	0	2,782	0
Additions	0	0	0	173	1,897	25,574	27,644
Disposals	0	0	0	(198)	(344)	0	(542)
Depreciation charge	0	(596)	(2,465)	(952)	(3,134)	0	(7,147)
Net book value at 31 December	26,886	36,024	36,559	1,452	7,015	28,356	136,292
Cost	26,886	44,137	66,184	11,154	22,105	28,356	198,822
Accumulated depreciation	0	(8,113)	(29,625)	(9,702)	(15,090)	0	(62,530)
Net book value at 31 December	26,886	36,024	36,559	1,452	7,015	28,356	136,292
<b>2004</b>							
Cost	26,886	44,137	68,966	17,010	26,095	0	183,094
Accumulated depreciation	0	(7,517)	(27,160)	(14,449)	(17,327)	0	(66,453)
Accumulated impairment loss	0	0	0	(132)	(172)	0	(304)
Net book value at 31 December	26,886	36,620	41,806	2,429	8,596	0	116,337
<b>Company</b>							
<b>2005</b>							
Net book value at 1 January	28,639	38,475	42,880	1,374	6,050	0	117,418
Reclassification	0	0	(2,782)	0	0	2,782	0
Additions	0	0	0	133	1,458	25,574	27,165
Disposals	0	0	0	(164)	(136)	0	(300)
Depreciation charge	0	(596)	(2,247)	(501)	(2,069)	0	(5,413)
Net book value at 31 December	28,639	37,879	37,851	842	5,303	28,356	138,870
Cost	28,639	45,929	65,736	7,492	17,159	28,356	193,311
Accumulated depreciation	0	(8,050)	(27,885)	(6,650)	(11,856)	0	(54,441)
Net book value at 31 December	28,639	37,879	37,851	842	5,303	28,356	138,870
<b>2004</b>							
Cost	28,639	45,929	68,518	8,398	18,492	0	169,976
Accumulated depreciation	0	(7,454)	(25,638)	(7,024)	(12,442)	0	(52,558)
Net book value at 31 December	28,639	38,475	42,880	1,374	6,050	0	117,418

## 9 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					
	2005			2004		
	Long leasehold RM'000	Short leasehold RM'000	Total RM'000	Long leasehold RM'000	Short leasehold RM'000	Total RM'000
Cost	43,239	898	44,137	43,239	898	44,137
Accumulated depreciation	(7,717)	(396)	(8,113)	(7,137)	(380)	(7,517)
Net book value	35,522	502	36,024	36,102	518	36,620

	Company					
	2005			2004		
	Long leasehold RM'000	Short leasehold RM'000	Total RM'000	Long leasehold RM'000	Short leasehold RM'000	Total RM'000
Cost	45,031	898	45,929	45,031	898	45,929
Accumulated depreciation	(7,654)	(396)	(8,050)	(7,074)	(380)	(7,454)
Net book value	37,377	502	37,879	37,957	518	38,475

## 10 Investments in Subsidiary Companies

	Company	
	2005 RM'000	2004 RM'000
Unquoted investments at cost	53,153	53,153
Less: Allowance for accumulated impairment loss	(14,551)	(14,551)
	38,602	38,602

## 11 Investment in an Associated Company

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted investment at cost	112,732	112,732	112,732	112,732
Less: Allowance for accumulated impairment loss	0	0	(27,754)	(23,897)
Less: Interim capital distribution received	(69,755)	0	(69,755)	0
Less: Dividend from pre-acquisition profit	(6,126)	0	(6,126)	0
	36,851	112,732	9,097	88,835
Share of retained profits less accumulated losses and reserves of associated company	(20,762)	(17,213)	0	0
Less: Goodwill written off	(6,715)	(6,715)	0	0
Interest in associated company	9,374	88,804	9,097	88,835

Investment in associated company is represented by:

Share of net tangible assets of associated company	9,374	88,804
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## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 12 Investment in Unquoted Shares

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

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

For the period from January 2003 to December 2007, the Company is entitled to receive an annual net dividend income of RM11.2 million in respect of the investment in DCM. In the event that DCM is unable to declare such dividend in full, DCAG undertakes to pay the shortfall to the extent of RM11.2million ("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 2005, the Group has recognised a gross return on investment of RM15.6 million (2004: RM11.2 million). This is a change in estimation as the directors are of the opinion that the entitlement to receive the return on investment from DCM is probable based on historical experience and as the Group has obtained confirmation from DCM that DCM is in a position to honour such payment for the financial year ended 31 December 2005. In addition, a further RM4.4 million (RM3.1 million after tax) in respect of 2004 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 2004 and the payment by DCM in the form of a dividend.

The fair value of the investment in DCM at 31 December 2005 is RM88,420,000 (2004: RM90,119,000). In determining the fair value, the directors have discounted the future contractual cash flows from January 2006 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.

### 13 Hire Purchase Receivables

	Group	
	2005 RM'000	2004 RM'000
Gross amount outstanding	1,479	5,216
Less: Unearned finance income	(51)	(288)
Allowance for doubtful debts	(27)	(85)
	(78)	(373)
	1,401	4,843
Gross amount outstanding:		
Receivable within one year	1,194	3,548
Receivable between one and five years	285	1,668
	1,479	5,216
Hire purchase receivables:		
Receivable within one year (Note 16)	1,123	3,245
Receivable between one and five years	278	1,598
	1,401	4,843

#### 14 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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax assets	1,284	2,115	0	454
Deferred tax liabilities	(2,179)	0	(2,179)	0
	(895)	2,115	(2,179)	454
At the start of the year	2,115	11,399	454	11,719
Credited/(charged) to income statement (Note 6):				
– property, plant and equipment	(786)	209	(671)	13
– tax losses	0	(1,419)	0	0
– provisions	(676)	(6,293)	(935)	(6,265)
– allowance for stocks	392	(1,679)	165	(1,731)
– allowance for amount due from subsidiary	0	0	0	(2,049)
– accrued income	(1,223)	(77)	(1,223)	(77)
– others	(717)	(684)	31	(1,156)
	(3,010)	(9,943)	(2,633)	(11,265)
Acquisition of a subsidiary company	0	659	0	0
At end of the year	(895)	2,115	(2,179)	454
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	44	161	0	0
Provisions	1,090	1,766	832	1,766
Allowance for stocks	2,247	1,855	1,351	1,187
Others	1,136	1,853	963	932
	4,517	5,635	3,146	3,885
Offsetting	(3,233)	(3,520)	(3,146)	(3,431)
Deferred tax assets (after offsetting)	1,284	2,115	0	454
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	1,045	376	958	287
Accrued income	4,367	3,144	4,367	3,144
	5,412	3,520	5,325	3,431
Offsetting	(3,233)	(3,520)	(3,146)	(3,431)
Deferred tax liabilities (after offsetting)	2,179	0	2,179	0

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deductible temporary differences	603	6,370	0	12,022
Tax losses	19,565	20,768	0	0

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 15 Inventories

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>At cost</b>				
Production supplies including completely-knocked-down vehicles	2,679	22,440	3,024	13,344
Work-in-progress	1,519	2,485	830	913
Finished goods	164,292	142,715	131,240	114,259
	<b>168,490</b>	<b>167,640</b>	<b>135,094</b>	<b>128,516</b>
<b>At net realisable value</b>				
Production supplies including completely-knocked-down vehicles	5,902	186	5,902	186
Finished goods	62,602	34,525	50,628	21,498
	<b>68,504</b>	<b>34,711</b>	<b>56,530</b>	<b>21,684</b>
	<b>236,994</b>	<b>202,351</b>	<b>191,624</b>	<b>150,200</b>

The Group and Company reversed RM2,361,000 and RM1,457,000 (2004: RM9,158,000 and RM7,996,000) 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.

### 16 Trade and Other Receivables

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	102,832	74,194	84,123	55,772
Less: Allowance for doubtful debts	(16,476)	(17,226)	(15,998)	(16,371)
	<b>86,356</b>	<b>56,968</b>	<b>68,125</b>	<b>39,401</b>
Warranty claims receivables	3,333	10,817	2,708	9,225
Less: Allowance for doubtful debts	(1,034)	(4,221)	(904)	(4,018)
	<b>2,299</b>	<b>6,596</b>	<b>1,804</b>	<b>5,207</b>
Deposits	691	788	461	680
Prepayment	1,059	27	57	27
Other receivables	0	92	0	0
Hire purchase receivables (Note 13)	1,123	3,245	0	0
Tax recoverable	13,678	14,207	12,381	12,364
	<b>105,206</b>	<b>81,923</b>	<b>82,828</b>	<b>57,679</b>

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

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

### 17 Short Term Investment

	Group and Company	
	2005 RM'000	2004 RM'000
Shares in corporation quoted in Malaysia – at cost	3,352	3,356
Less: Amount written down	(2,434)	(1,747)
	<b>918</b>	<b>1,609</b>
Market value of shares in corporation quoted in Malaysia	<b>918</b>	<b>1,609</b>

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

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

	Company	
	2005 RM'000	2004 RM'000
Amounts due from subsidiary companies	39,304	30,294
Less: Allowance for amount due from a subsidiary company	(8,378)	(6,807)
	<b>30,926</b>	<b>23,487</b>
Amounts due to subsidiary companies	<b>(13,718)</b>	<b>(9,859)</b>

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

## 19 Cash and Cash Equivalents

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank and cash balances	14,040	8,277	3,459	2,409

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

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

	Group and Company	
	2005 %	2004 %
	per annum	per annum
Deposits with licensed banks	2.30	2.35

## 20 Provisions for Liabilities and Charges

	Service and warranty RM'000	Retrench- ment benefit RM'000	Others RM'000	Total RM'000
<b>Group</b>				
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
At 1 January 2005	2,803	7,000	150	9,953
Additional provisions	3,020	0	10	3,030
Unused amounts reversed	(956)	(210)	0	(1,166)
Charged to income statement	2,064	(210)	10	1,864
Utilised during the year	(2,169)	(6,790)	0	(8,959)
At 31 December 2005	2,698	0	160	2,858

**Notes to the Financial Statements**

For the financial year ended 31 December 2005

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

	Service and warranty RM'000	Retrench- ment benefit RM'000	Others RM'000	Total RM'000
<b>Company</b>				
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
At 1 January 2005	2,140	0	150	2,290
Additional provisions	2,892	0	10	2,902
Unused amounts reversed	(956)	0	0	(956)
Charged to income statement	1,936	0	10	1,946
Utilised during the year	(2,169)	0	0	(2,169)
At 31 December 2005	1,907	0	160	2,067

**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 26(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.

**21 Trade and Other Payables**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	34,124	46,579	23,896	24,558
Trade accruals	19,680	19,102	15,504	16,631
	53,804	65,681	39,400	41,189

## 21 Trade and Other Payables (continued)

The currency profile of trade payables and accruals is as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	53,804	61,697	39,400	37,205
Yen	0	3,984	0	3,984
	<b>53,804</b>	<b>65,681</b>	<b>39,400</b>	<b>41,189</b>

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 29.

## 22 Borrowings (Unsecured)

	Group and Company	
	2005 RM'000	2004 RM'000
<b>Current</b>		
Revolving credits	94,718	25,000
Bankers acceptance	30,482	94,479
	<b>125,200</b>	<b>119,479</b>

Contractual terms of borrowings are as follows:

Group and Company	Contractual interest rate at balance sheet date (per annum)	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000
<b>2005</b>				
<b>Unsecured</b>				
Revolving credits	3.3% – 3.8%	RM	94,718	94,718
Bankers acceptance	2.95% – 3.5%	RM	30,482	30,482
<b>2004</b>				
<b>Unsecured</b>				
Revolving credits	3.3% – 3.8%	RM	25,000	25,000
Bankers acceptance	2.95% – 3.5%	RM	94,479	94,479

## 23 Share Capital

	Group and Company			
	2005 '000	2005 RM'000	2004 '000	2004 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/31 December	100,745	100,745	100,745	100,745

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 23 Share Capital (continued)

#### (b) Executives' Share Option Scheme

The Company had an Executives' Share Option Scheme (ESOS) which came into effect on 30 June 2000 for a period of five years. The ESOS was governed by the by-laws which were approved by the shareholders on 10 May 2000. The ESOS expired on 30 June 2005.

The main features of the ESOS were:

- The total number of ordinary shares to be issued by the Company under the ESOS should 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 were those confirmed full-time employees of grade 1 and above who had served a minimum period of one continuous year or contract employees with contract duration of at least 3 years, or had served at least 3 continuous years before the offering date. Employees who participated under previous employees' share option scheme could 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 had been granted were entitled to take up shares under the ESOS, should 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 Bursa Malaysia Securities Berhad for the 5 market days preceding the date of offer or at the par value of the shares, whichever was higher.
- The persons to whom the options had been granted had 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 RM/share	At start of the year '000	Cancelled '000	At end of the year '000
<b>2005</b>				
3 July 2000	6.09	313	(313)	0
11 July 2001	4.66	30	(30)	0
3 April 2002	5.68	111	(111)	0
		454	(454)	0
<b>2004</b>				
3 July 2000	6.09	337	(24)	313
11 July 2001	4.66	39	(9)	30
3 April 2002	5.68	138	(27)	111
		514	(60)	454

All of the above options expired on 30 June 2005.

	2005 '000	2004 '000
Number of share options vested at balance sheet date	0	454

## 24 Revenue Reserve

There are sufficient Malaysian (Section 108) tax credits to frank all the revenue reserve of the Company at 31 December 2005 if paid out as dividends.

## 25 Cash Flow from Operations

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net profit attributable to shareholders	<b>23,908</b>	14,822	<b>16,842</b>	32,870
Adjustments for:				
Property, plant and equipment:				
– depreciation (Notes 4 & 9)	<b>7,147</b>	7,374	<b>5,413</b>	5,558
– impairment	<b>0</b>	304	<b>0</b>	0
– gains on disposal (Note 4)	<b>(950)</b>	(11,079)	<b>(209)</b>	(10,854)
Interest income (Note 4)	<b>(228)</b>	(622)	<b>(207)</b>	(553)
Finance cost	<b>2,872</b>	3,720	<b>2,872</b>	3,720
Provisions	<b>2,074</b>	5,575	<b>1,945</b>	(1,445)
Write down/(write back) on short term investment (Note 4)	<b>689</b>	(230)	<b>689</b>	(230)
Write down in value in subsidiary companies (Note 4)	<b>0</b>	0	<b>0</b>	11,583
Write down in value in an associated company (Note 4)	<b>0</b>	0	<b>3,857</b>	23,897
Write back of retrenchment benefit over provided	<b>(210)</b>	0	<b>0</b>	0
Dividends (gross) from investments (Note 4)	<b>(113)</b>	(114)	<b>(5,355)</b>	(77,942)
Gross return on investment in DCM	<b>(19,962)</b>	(15,872)	<b>(19,962)</b>	(15,872)
Share of results of associated companies	<b>(2,292)</b>	(2,186)	<b>0</b>	0
Tax expense (Note 6)	<b>9,520</b>	10,766	<b>8,053</b>	27,842
	<b>(1,453)</b>	(2,364)	<b>(2,904)</b>	(34,296)
	<b>22,455</b>	12,458	<b>13,938</b>	(1,426)
Changes in working capital:				
Inventories	<b>(34,643)</b>	18,845	<b>(41,424)</b>	4,495
Receivables	<b>(18,125)</b>	22,622	<b>(20,765)</b>	20,221
Payables	<b>(12,213)</b>	(9,828)	<b>(2,125)</b>	(9,578)
Provisions for liabilities and charges	<b>(2,169)</b>	(24,957)	<b>(2,169)</b>	(24,945)
Associated companies' balances	<b>(78)</b>	5,726	<b>(77)</b>	5,064
Subsidiary companies' balances	<b>0</b>	0	<b>(3,580)</b>	22,941
	<b>(67,228)</b>	12,408	<b>(70,140)</b>	18,198
Net cash flow from operations	<b>(44,773)</b>	24,866	<b>(56,202)</b>	16,772

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 26 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.

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:

	2005 RM'000	2004 RM'000
Revenue	0	10,382
Expenses excluding finance cost and tax	87	(8,354)
Profit from operation	87	2,028
Gain on disposal of assets	172	5,581
Profit before tax	259	7,609
Tax expense	(75)	(2,573)
Profit after tax	184	5,036

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

	2005 RM'000	2004 RM'000
Non-current assets – plant & equipment	7	108
Current assets	3,687	5,976
Total assets	3,694	6,084
Current liabilities	(1,252)	(1,951)
Net assets	2,442	4,133

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

	2005 RM'000	2004 RM'000
Operating activities	1,705	4,311
Investing activities		
– proceeds from disposal of equipment	247	6,554
Total cash flows	1,952	10,865

## 26 Discontinuing Operation (continued)

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

	2005 RM'000	2004 RM'000
Net book value of equipment	75	973
Proceeds from disposal	247	6,554
Gain on disposal before and after tax	172	5,581

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

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

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

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

	2005 RM'000	2004 RM'000
Revenue	51,499	86,212
Expenses excluding finance cost and tax	(51,996)	(83,107)
Compensation received on cessation of assembly operations:		
– early separation	1,800	0
– subsidy for retrenchment cost	1,300	0
Gain on disposal of plant and equipment	766	0
Profit from operation	3,369	3,105
Impairment loss of plant and equipment	0	(304)
Write back/(provision) for retrenchment benefit	210	(7,000)
Profit/(loss) before tax	3,579	(4,199)
Tax expense	(752)	(971)
Profit/(loss) after tax	2,827	(5,170)

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 26 Discontinuing Operation (continued)

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

	2005 RM'000	2004 RM'000
Non-current assets – plant & equipment	0	675
Non-current asset – deferred tax asset	0	750
Current assets	534	21,426
Total assets	534	22,851
Current liabilities	(5,834)	(30,988)
Net liabilities	(5,300)	(8,137)

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

	2005 RM'000	2004 RM'000
Operating activities	(400)	(1,390)
Proceeds from disposal of equipment	762	18
Purchase of equipment	0	(215)
Net cash flows	362	(1,587)

### 27 Subsidiary and Associated Companies

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

	Issued capital RM'000	Group's share		Principal activities
		2005 %	2004 %	
<b>Subsidiary companies</b>				
Ipoh Motors Sdn Berhad	1,710	100	100	Retailing of motor vehicles, sales of spare parts, servicing of vehicles and business of an insurance agent.
Hercules Automotive Engineers Sendirian Berhad	200	100	100	Fitting of motor vehicle accessories.
Asia Automobile Industries Sendirian Berhad	4,400	100	100	Assembly of motor vehicles. The Company ceased assembly during the year (see Note 26(b)).
Srisari Sdn. Bhd.	0*	100	100	Assembly of engines. The Company ceased assembly during the year (see Note 26(b)).
Cycle & Carriage Automobiles Sendirian Berhad	5,000	100	100	Distribution and retailing of motor vehicles, sales of spare parts and servicing of vehicles.
Cycle & Carriage (Malaysia) Sdn Berhad	31,000	100	100	Retailing of motor vehicles, sales of spare parts, provision of after-sales services and hire purchase financing.
<b>Associated company</b>				
CCL Group Properties Sdn Berhad <sup>#</sup>	149,160	40	40	Property investment.

\* Issued share capital of RM2

<sup>#</sup> under members voluntary liquidation

## 28 Significant Related Party Disclosures

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

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(a) With associated companies:</b>				
Receipt of payment for IT services	27	0	27	0
Receipt of payment for rental and utilities	104	0	104	0
Sales of goods and services	0	3,272	0	3,268
Dividend income (gross)	0	0	5,355	36,344
Dividend from pre-acquisition profit	0	0	6,126	0
Interim capital distribution	69,755	0	69,755	0
Purchases of goods and services	0	(302)	0	(214)
Rent for land and buildings	(352)	(352)	(352)	(352)
Internal audit fees	0	(105)	0	(105)
Management fees	0	(123)	0	(123)

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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(b) With directors/companies related to directors:</b>				
Sales of motor vehicles and parts to:				
– LCL Corporation Berhad	442	0	442	0
– Malaysia Building Society Berhad	364	0	364	0
– Tan Sri Abdul Rashid Hussain	775	0	775	0
– Datuk Seri Haji Mohamad bin Haji Hasan	0	246	0	176
Purchase of lubricants from ESSO Malaysia Berhad	(111)	(157)	(111)	(157)
Payment of hotel accommodation, banquet and meeting package to Hyatt Regency Saujana	(29)	(119)	(29)	(119)
Purchase of F1 tickets from Sepang International Circuit Sdn Bhd	(17)	(13)	(17)	(13)
Purchase of advertising and sponsorship services from Saujana Resort (M) Berhad	(90)	(200)	(90)	(200)
Payment of golf tournament expenses to Saujana Resort (M) Berhad	(32)	0	0	0
Trade-in of vehicle from Tan Sri Abdul Rashid Hussain	(110)	0	(110)	0

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For the financial year ended 31 December 2005

**28 Significant Related Party Disclosures (continued)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(c) With substantial shareholders and companies related to substantial shareholders:				
Sales of motor vehicles and parts to:				
– Jardine Matheson (Malaysia) Sdn Bhd	0	792	0	792
– Cycle & Carriage (North Shore) Limited	0	422	0	422
– Edaran Otomobil Nasional Berhad	0	125	0	125
– Rothschild Malaysia Sdn Bhd	435	0	435	0
Receipt of incentives from Edaran Otomobil Nasional Berhad	0	139	0	0
Receipt of finance commission from EON Finance Berhad	111	205	0	0
Purchase of goods and parts from:				
– Edaran Otomobil Nasional Berhad	(14,968)	(14,574)	0	0
– Johnson Control Automotive Interiors (Malaysia) Sdn Bhd	0	(6)	0	0
– Johnson Control Automotive Seating (M) Sdn Bhd	0	(1,027)	0	(1,027)
Payment to Jardine Cycle & Carriage Limited:				
– management service	(504)	(468)	(504)	(468)
– share of group umbrella crime insurance premium	0	(320)	0	(320)
– group internal audit	(193)	0	(193)	0
Payment of IT Services to Cycle & Carriage Industries Pte Limited	0	(21)	0	0
Payment of insurance premiums to Jardine Lloyd Thompson Sdn Bhd	(601)	(654)	(437)	(461)
Payment of consultancy fees to Jardine Lloyd Thompson Sdn Bhd	0	(32)	0	(32)
Payment of hotel banquet and meeting package to Concorde Hotel	(14)	0	(14)	0
Purchase of parts from CCL Indo-China Investments Pte Limited	(246)	0	0	0
Payment of computer software and peripherals to Jardine OneSolution (2001) Sdn Bhd	(828)	(1,179)	(775)	(979)
Payment of Naza 206 equipment to PT Astra France Motor	(997)	0	0	0
Payment of consultancy and course fees to Jardine Matheson & Co., Ltd	(21)	(376)	(21)	(376)
(d) With principal officer:				
Sale of motor vehicle to Chau Sik Cheong	0	130	0	130

## 28 Significant Related Party Disclosures (continued)

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 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.
LCL Corporation Berhad and ESSO Malaysia Berhad	Companies in which Tan Sri Abdul Halim bin Ali, the Chairman of the Company is also a director.
Malaysia Building Society Berhad	A company in which Tan Sri Abdul Halim bin Ali and Syed Zaid bin Syed Jaffar Albar, the Chairman and a director of the Company are also directors.
Jardine Cycle & Carriage Limited	The holding company of the Company.
CCL Indo-China Investments Pte Limited, PT Astra France Motor, 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 OneSolution (2001) Sdn Bhd, Jardine Lloyd Thompson Sdn Bhd, Jardine Matheson (Malaysia) Sdn Bhd and Rothschild Malaysia Sdn Bhd	Companies related to Jardine Matheson Holdings Limited, the ultimate holding company of the Company.
Tan Sri Abdul Rashid Hussain	A director and the Chairman of the Audit Committee and the Nomination Committee of the Company and the Group.
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.

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

## Notes to the Financial Statements

For the financial year ended 31 December 2005

### 29 Financial Instruments

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

At the financial year end, the settlement date on open forward contract was 2 months. The local currency amounts to be paid and contractual exchange rates of the outstanding contract was as follows:

	Group and Company	
	2005	2004
	RM'000	RM'000
Japanese Yen – at rates averaging Yen 100 = RM3.2410 (2004: at rates averaging Yen 100 = RM3.7151)	1,945	9,914
Fair value at 31 December (unfavourable net position of)	(17)	(44)

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

### 30 Contingent Liabilities (Unsecured)

- (a) At 31 December 2005, the Group and Company had contingent liabilities in respect of various legal claims against the Company amounting to RM3,970,000 (2004: RM2,290,000). After taking appropriate legal advice, the directors are of the opinion that the outcome of such actions is unlikely to give rise to any significant loss to the Group and Company.
- (b) At 31 December 2005, 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 RM4,000,000 (2004: RM4,600,000).
- (c) On 30 December 2005, the Company dispose of the stocks and assets of its Kuching branch to Si Khiong Industries Sdn Bhd ("Si Khiong") pursuant to a Business and Asset Transfer Agreement entered into on 29 December 2005. Arising from the transfer, the Group and the Company had contingent liabilities in respect of recognition of "years of service" in the Company in the event of a "retrenchment or closure exercise" by Si Khiong in respect of those former employees who opted to join Si Khiong amounting to RM1,000,000.
- (d) In 1997, the Company supplied units of bus chassis to Transit Link Sdn Bhd ("Transit Link") and was paid by Transit Link's appointed bus body builder, Hup Lee Coachbuilders Holdings Sdn Bhd ("Hup Lee").

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

### 31 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 (under members voluntary liquidation).

	Automobile industry RM'000	Investment RM'000	Other RM'000	Total RM'000
<b>2005</b>				
Revenue	760,682	0	0	760,682
<b>Results:</b>				
Segment results	14,046	19,962	0	34,008
Finance cost	(2,872)	0	0	(2,872)
Share of results of associate	0	0	2,292	2,292
				33,428
Tax expense				(9,520)
Net profit				23,908
<b>At 31 December 2005</b>				
<b>Net assets:</b>				
Segment assets	464,474	81,598	0	546,072
Investment in associate	0	0	9,374	9,374
Unallocated assets				14,962
				570,408
Segment liabilities	181,862	0	0	181,862
Unallocated liabilities				2,703
				184,565

**Notes to the Financial Statements**

For the financial year ended 31 December 2005

**31 Segment Reporting (continued)**

	Automobile industry RM'000	Investment RM'000	Other RM'000	Total RM'000
<b>2004</b>				
Revenue	757,262	0	0	757,262
<b>Results:</b>				
Segment results	11,250	15,872	0	27,122
Finance cost	(3,720)	0	0	(3,720)
Share of results of associate	37	0	2,149	2,186
				25,588
Tax expense				(10,766)
Net profit				14,822
<b>At 31 December 2004</b>				
<b>Net assets:</b>				
Segment assets	386,659	77,232	0	463,891
Investment in associate	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
<b>At 31 December 2005</b>				
<b>Other information:</b>				
Capital expenditure	27,644	0	0	27,644
Depreciation	7,147	0	0	7,147
<b>At 31 December 2004</b>				
<b>Other information:</b>				
Capital expenditure	25,882	0	0	25,882
Depreciation	7,374	0	0	7,374

### 32 Capital Commitments

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Approved and contracted	9,706	20,069	9,706	20,029
Approved but not contracted	2,926	6,304	2,926	6,304
	<b>12,632</b>	<b>26,373</b>	<b>12,632</b>	<b>26,333</b>

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

### 33 Subsequent Event

On 29 December 2005, the Company entered into a sale and purchase agreement for the disposal of two properties in Kuching for a total consideration of RM3.0 million. One of the properties disposed at RM1.0 million was completed in January 2006 while the other is pending fulfilment of condition precedent.

### 34 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2006.