

CYCLE & CARRIAGE BINTANG BERHAD
Notes to the Financial Information
for the third quarter ended 30 September 2007

1 Basis of Preparation

This interim report is prepared in accordance with Financial Reporting Standard (“FRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2006.

The Group has adopted 2 applicable FRSs issued by MASB with effect from 1 January 2007. The adoption of these FRSs did not result in significant changes to the Group’s policies except for FRS 117 “Leases” which requires the classification of leasehold land as prepaid lease payments.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2006 except for the change in accounting policy relating to the adoption of FRS 117. The application of FRS 117 does not impact the prior year financial statements, other than the reclassification of leasehold land from Property, plant and equipment to Leasehold land use rights. The comparative figures have been reclassified accordingly.

	As previously reported 31.12.2006 RM'000	Reclassification upon adoption of FRS 117 RM'000	As restated 31.12.2006 RM'000
Property, plant and equipment	104,142	(13,299)	90,843
Leasehold land use rights	-	13,299	13,299

2 Qualification of Audit Report

The Group’s financial statements for the year ended 31 December 2006 were not subject to any qualification by the auditors.

3 Segment Reporting

The activities of the Group are conducted within Malaysia as shown in the following segments:

	Automobile industry		Investment *	Other	Group
	Continuing Operations RM'000	Discontinued Operations RM'000	RM'000	RM'000	RM'000
3 months ended 30 September 2006					
Revenue	165,655	-	-	-	165,655
(Loss)/profit before tax	(2,248)	(7)	3,771	10	1,526
(Loss)/profit after tax	(1,944)	(7)	2,753	10	812
3 months ended 30 September 2007					
Revenue	168,638	-	-	-	168,638
Profit/(loss) before tax	2,202	(4)	3,824	-	6,022
Profit/(loss) after tax	1,654	(4)	2,830	-	4,480
9 months ended 30 September 2006					
Revenue	481,774	-	-	-	481,774
Profit/(loss) before tax	6,172	247	11,505	(45)	17,879
Profit/(loss) after tax	5,353	245	8,398	(45)	13,951
9 months ended 30 September 2007					
Revenue	503,246	-	-	-	503,246
Profit before tax	2	282	11,349	-	11,633
Profit after tax	957	282	8,398	-	9,637

* Under the terms of the agreement with DaimlerChrysler AG (“DCAG”), the Company is entitled to receive an annual net dividend income of RM11.2 million (gross dividend income of RM15.2 million) in respect of the investment in DaimlerChrysler Malaysia Sdn Bhd (“DCM”).

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3 Segment Reporting (Cont'd)

In the event that DCM is unable to declare such dividend in full, DCAG undertakes to pay the shortfall to the extent of RM11.2 million ("minimum assured amount"). The amount receivable from DCAG will be subject to income tax and the Group will effectively receive an annual net income of RM8.3 million.

Since the fourth quarter of financial year ended 31 December 2005, the Group has recognised the gross return on investment instead of the minimum assured amount, as the directors are of the opinion that the entitlement to receive the return on investment from DCM is probable based on historical experience. For the nine months ended 30 September 2007, the Group recognised the gross return of RM11.3 million (Net: RM8.4 million) based on a time apportioned basis compared to RM11.5 million (Net: RM8.4 million) in the corresponding period of 2006.

4 Seasonal or Cyclical Factors

There were no major seasonal or cyclical factors affecting the automobile industry.

5 Individually Significant Items

Individually significant items for the nine months ended 30 September 2007 were as follows:

- a) The Group recognised income of RM11.3 million in respect of the investment in DaimlerChrysler Malaysia as disclosed in Note 3 above.
- b) The Group recognised income of RM1.3 million in respect of incentives extended by DaimlerChrysler Malaysia for achieving dealer standards and purchase target.
- c) The Group recognised income of RM2.8 million awarded by DaimlerChrysler Malaysia Sdn Bhd for facility development.
- d) The Group recognised a gain of RM1.0 million on disposal of a piece of property in Kuching.
- e) A write-down of RM3.9 million was made to bring inventory to its net realisable value, partly offset by a reversal of RM2.8 million written down in previous years.
- f) A charge of RM0.5 million was made on warranty provision, partly offset by a reversal of RM0.9 million provision made in previous years

6 Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the results for the nine months ended 30 September 2007.

7 Taxation

	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Tax expense from:				
- Continuing operations	1,542	714	1,996	3,926
- Discontinued operations	-	-	-	2
	1,542	714	1,996	3,928

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7 Taxation (Cont'd)

The average effective tax rate differs from the statutory income tax rate of Malaysia as follows:

	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	%	%	%	%
Statutory income tax rate of Malaysia	27	28	27	28
Expenses not deductible for tax purposes	5	3	6	-
Current year's temporary differences/tax losses not recognised	7	2	1	2
Utilisation of previously unrecognised temporary differences/tax losses	(13)	(19)	(14)	(2)
Temporary differences previously recognised as deferred tax asset, now reversed	2	-	1	8
Income not subject to tax/subject to lower tax rate	-	-	(3)	(17)
Prior year (over)/under provision	(2)	33	(1)	3
Average effective tax rate	26	47	17	22

8 Earnings per Share

	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
Basic earnings per share				
Profit attributable to equity holders of the parent (RM'000)	4,480	812	9,637	13,951
Weighted average number of ordinary shares in issue ('000)	100,745	100,745	100,745	100,745
Basic earnings per share (sen)	4.45	0.81	9.57	13.85
Profit attributable to equity holders of the parent from continuing operations (RM'000)	4,484	819	9,355	13,706
Basic earnings per share from continuing operations (sen)	4.45	0.81	9.29	13.60

9 Sale of Unquoted Investments/Properties

During the period, the Group recognised a gain of RM1.0 million upon completion of sale on a property in Kuching.

On 19 September 2007, the Company entered into a sale and purchase agreement for the disposal of a vacant piece of land in Sepang, Selangor. The completion of the disposal is pending the consent of the State Authority.

There were no sales of any unquoted investments or properties for the nine months ended 30 September 2007 other than as mentioned above.

10 Short Term Investments

a) Purchases and disposals

	3 months ended	9 months ended
	30.9.2007	30.9.2007
	RM'000	RM'000
Total purchase consideration	Nil	Nil
Total sale proceeds	836	2,020
Total profit on disposal	161	418

b) Investment as at 30 September 2007

There were no more short term investments as at 30 September 2007.

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11 Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment loss where applicable except for freehold land which is stated at valuation and buildings which are stated at valuation less accumulated depreciation and impairment loss where applicable. Independent professional valuations are performed every three years.

12 Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the nine months ended 30 September 2007.

13 Dividends

	9 months ended 30 September 2007		9 months ended 30 September 2006 (*)	
	Gross dividend per share Sen	Amount of dividend net of 27% tax RM'000	Gross dividend per share Sen	Amount of dividend net of 28% tax RM'000
Final dividend approved by shareholders in respect of the financial year ended 31 December 2006, paid on 22 June 2007 (2006 : paid on 23 June 2006)	<u>5</u>	<u>3,677</u>	<u>10</u>	<u>7,254</u>
Interim dividend declared in respect of the financial year ending 31 December 2007, paid on 21 September 2007 (2006 : paid on 27 October 2006 (**))	<u>5</u>	<u>3,677</u>	<u>5</u>	<u>3,627</u>

(*) A special dividend of 203 sen per share was also declared in 2006 and paid on 27 October 2006.

The Board of Directors does not recommend the payment of any dividend in the third quarter.

14 Off Balance Sheet Financial Instruments

The Company is a party 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 purpose of these instruments is to reduce risk.

Foreign currency forward contracts protect the Company 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 forward exchange contract. The gains and losses are therefore offset for financial reporting purposes and are not recognised in the financial statements.

As at 30 September 2007, the open position of foreign currency forward contracts entered into by the Company was RM8.1 million (the fair value was an unfavourable net position of RM27,225), RM4.4 million has been closed as at 7 November 2007. The total amount of foreign currency forward contracts entered into after 30 September 2007 by the Company was RM5.5 million, all of which were still outstanding as at 7 November 2007.

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14 Off Balance Sheet Financial Instruments (Cont'd)

The details of the open contracts as at 7 November 2007 are as follows:

Maturity	Foreign Currency Amount		RM Equivalent
	US\$	Yen	
Less than 1 month	-	46,803,831	1,365,889
More than 1 month, less than 3 months	364,800	124,000,000	4,932,389
More than 3 months, less than 6 months	-	100,000,000	2,947,100
Total	<u>364,800</u>	<u>270,803,831</u>	<u>9,245,378</u>

The fair value as at 7 November 2007 was an unfavourable net position of (153,795)

The instruments are executed with credit worthy financial institutions in Malaysia. The directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

15 Changes in the Composition of the Group

There were no changes in the composition of the Group for the nine months ended 30 September 2007 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

16 Status of Corporate Proposals

There were no corporate proposals undertaken/announced but not completed at the date of issue of this quarterly report other than the following:

- On 1 July 2005, the Company announced that CCL Group Properties Sdn Bhd ("CCLGP"), its 40% owned associated company and CCLGP's subsidiaries had commenced members' voluntary liquidation.
- On 19 September 2007, the Company entered into a sale and purchase agreement for the disposal of a vacant piece of land in Sepang, Selangor, for a consideration of RM11.7 million. The completion of the disposal is pending the consent of the State Authority.
- On 25 October 2007, the Group announced its intention not to renew its agreement, which expires on 31 December 2007, with Automobiles Peugeot to distribute Peugeot vehicles in Malaysia.

17 Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 September 2007:

Revolving credit	RM'000
	80,000
Total	<u>80,000</u>

All the borrowings were short term, unsecured and denominated in Ringgit Malaysia.

18 Contingent Liabilities

As at the date of issue of this quarterly report, there were no material changes in contingent liabilities as disclosed in the Annual Financial Report for the year ended 31 December 2006.

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19 Material Litigation

- a) On 9 July 1998, the Company initiated legal action against a debtor, Transit Link Sdn Bhd and its guarantor, Tan Hooi Chong, for the recovery of RM15.2 million of outstanding debts for the supply of bus chassis to the debtor. Consent Judgment was obtained on 13 July 2000 for settlement by 1 May 2001. However, the debts were not recovered by the stated date. The Company then initiated execution proceedings against both the debtor and the guarantor. The guarantor was adjudged a bankrupt on 30 August 2002 and winding-up order against the debtor was obtained on 22 May 2003. The debts have already been fully provided in the financial statements in prior years.
- b) 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 RM8.0 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.

20 Capital Commitments

Capital Commitments of the Group as at 30 September 2007 in relation to acquisition of property, plant and equipment were as follows:

	RM’000
Approved and contracted	132
Approved but not contracted	9,159
Total	<u>9,291</u>

21 Material Change in Current Quarter Results Compared to Preceding Quarter Results

The Group recorded an unaudited profit before taxation from continuing operations of RM6.0 million in the third quarter which was RM3.1 million higher than the preceding quarter contributed by improved margins from Mercedes Benz and Mazda marques and lower overhead expenses.

22 Review of Revenue and Profit from Operations

An analysis of the profit after taxation from operations as a result of the transfer of Mercedes-Benz wholesale (“MB wholesale”) business to DaimlerChrysler Malaysia and the early termination of Mercedes-Benz assembly (“MB assembly”) is given below:

	30.9.2007			3 months ended			30.9.2006		Total
	Continuing Operations	Discontinued Operations		Total	Continuing Operations	Discontinued Operations		Total	
	RM’000	MB wholesale RM’000	MB Assembly RM’000	RM’000	RM’000	MB wholesale RM’000	MB Assembly RM’000		
Revenue	168,638	-	-	168,638	165,655	-	-	165,655	
Expenses	(166,548)	-	(4)	(166,552)	(167,996)	-	(7)	(168,003)	
Other income	4,932	-	-	4,932	4,144	-	-	4,144	
Finance cost	(996)	-	-	(996)	(280)	-	-	(280)	
Associated Company	-	-	-	-	10	-	-	10	
PBT	6,026	-	(4)	6,022	1,533	-	(7)	1,526	
Taxation	(1,542)	-	-	(1,542)	(714)	-	-	(714)	
PAT	4,484	-	(4)	4,480	819	-	(7)	812	

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22 Review of Revenue and Profit from Operations (Cont'd)

	30.9.2007			9 months ended			30.9.2006		Total
	Continuing Operations	Discontinued Operations		Total	Continuing Operations	Discontinued Operations			
	RM'000	MB wholesale RM'000	MB Assembly RM'000	RM'000	RM'000	MB wholesale RM'000	MB Assembly RM'000		
Revenue	503,246	-	-	503,246	481,774	-	-	481,774	
Expenses	(505,681)	294	(12)	(505,399)	(484,492)	-	236	(484,256)	
Other income	17,069	-	-	17,069	21,561	11	-	21,572	
Finance cost	(3,283)	-	-	(3,283)	(1,166)	-	-	(1,166)	
Associated Company	-	-	-	-	(45)	-	-	(45)	
PBT	11,351	294	(12)	11,633	17,632	11	236	17,879	
Taxation	(1,996)	-	-	(1,996)	(3,926)	(2)	-	(3,928)	
PAT	9,355	294	(12)	9,637	13,706	9	236	13,951	

PBT : Profit before taxation

PAT : Profit after taxation

Discontinued Operations

The MB wholesale results for the nine months ended 30 September 2007 reflected a reversal of RM294,000 on warranty provision no longer required while the corresponding period's result for MB assembly operation reflected a write-back of RM236,000 of expenses.

Continuing Operations

The Group recorded a net profit of RM9.3 million from continuing operations for the nine months ended 30 September 2007, 32% lower than the corresponding period in 2006. There were improved performances from Mercedes-Benz and Mazda, partially offset by stock write-downs for Peugeot and higher IT expenses. The previous year's results had been enhanced by a greater gain from property disposals.

The results included a net return of RM8.4 million (2006: RM8.4 million) from the Group's investment in DaimlerChrysler Malaysia ("DCM"). Under the terms of the agreement with DaimlerChrysler AG, the current return on the Group's investment in DCM of 17% per annum will be reduced from 2008 onwards to 300 basis points above the yield on Malaysian Government 5-year bonds. As a consequence, from 1 January 2008, the annual contribution to the Group's net profit will be reduced from RM11.2 million to approximately RM4.3 million based on current bond yields.

The trading performance of Mercedes-Benz improved as sales increased and pressure on margins eased. Sales of Mazda vehicles also improved as stocks were cleared ahead of the launch of new models planned for later in the year, reducing significantly the losses from Mazda compared to the same period last year.

Peugeot continued to struggle, however, due to uncompetitive pricing. The results were also impacted by write-downs against aging inventory. In October, the Group announced its intention not to renew its agreement with Automobiles Peugeot to distribute Peugeot vehicles in Malaysia when it expires at the end of 2007. The discontinuation of the agreement will stem further operating losses and enable the Group to focus on its other marques.

A new Kerridge Autoline management information system has been implemented to support the Group's Mercedes-Benz business, as required under the terms of the Group's dealership agreement with DCM, and this has led to an increase in operating expenses.

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23 Variance of Actual Profit from Forecast Profit

The Company did not make any profit forecast.

24 Material Subsequent Events

There were no material events between 1 October 2007 and the date of this report other than as disclosed in Note 16 (c) above.