

CYCLE & CARRIAGE BINTANG BERHAD
Notes to the Financial Information
for the first quarter ended 31st March 2008

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 31st December 2007.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31st December 2007.

2 Qualification of Audit Report

The Group's financial statements for the year ended 31st December 2007 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	Discontinued Operations			
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31st March 2007 (Restated)					
Revenue	132,356	24,993	-	-	157,349
Profit/(loss) before tax	1,135	(2,460)	3,742	-	2,417
Profit/(loss) after tax	1,227	(2,460)	2,769	-	1,536
3 months ended 31st March 2008					
Revenue	119,081	25,691	-	-	144,772
Profit/(loss) before tax	(121)	(262)	2,792	56	2,465
Profit/(loss) after tax	1,458	(267)	2,792	56	4,039

* Under the terms of the agreement with Daimler AG (“DAG”), 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 Mercedes-Benz Malaysia Sdn Bhd (“MBM”) until December 2007.

* In the event that MBM is unable to declare such dividend in full, DAG undertakes to pay the shortfall to the extent of RM11.2 million (“minimum assured amount”). The amount receivable from DAG will be subject to income tax and the Group will effectively receive an annual net income of RM8.3 million. This dividend arrangement has now been extended to the end of June 2008.

Since the fourth quarter of financial year ended 31st 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 MBM is probable based on historical experience. For the three months ended 31st March 2008, the Group recognised the gross return of RM2.8 million (Net: RM2.8 million) in view that MBM has intention to declare tax exempted dividend, compared to RM3.7 million (Net: RM2.8 million) in 2007.

4 Seasonal or Cyclical Factors

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

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5 Individually Significant Items

Individually significant items for the three months ended 31st March 2008 were as follows:

- a) The Group recognised income of RM2.8 million in respect of the investment in Mercedes-Benz Malaysia as disclosed in Note 3 above.
- b) A write-down of RM0.6 million was made to bring inventory to its net realisable value, partly offset by a reversal of RM1.7 million written down in previous years.
- c) The Group recognised a gain of RM4.7 million on disposal of a vacant piece of land in Sepang, Selangor.
- d) A charge of RM4.2 million was made as voluntary separation scheme provision to further streamline the Group workforce.

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 three months ended 31st March 2008.

7 Taxation

	3 months ended		Cumulative quarter ended	
	31.3.2008	31.3.2007	31.3.2008	31.3.2007
	RM'000	RM'000	RM'000	RM'000
Tax (income)/expense from:				
- Continuing operations	(1,579)	881	(1,579)	881
- Discontinued operations	5	-	5	-
	(1,574)	881	(1,574)	881

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

	3 months ended		Cumulative quarter ended	
	31.3.2008	31.3.2007	31.3.2008	31.3.2007
	%	%	%	%
Statutory income tax rate of Malaysia	26	27	26	27
Current year's temporary difference/tax losses not recognised	-	9	-	9
Utilisation of previously unrecognised temporary differences/tax losses	(7)	-	(7)	-
Income not subject to tax/subject to lower tax rate	(85)	-	(85)	-
Average effective tax rate	(66)	36	(66)	36

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8 Earnings per Share

	3 months ended		Cumulative quarter ended	
	31.3.2008	31.3.2007 (Restated)	31.3.2008	31.3.2007 (Restated)
Basic earnings per share				
Profit attributable to equity holders of the parent (RM'000)	4,039	1,536	4,039	1,536
Weighted average number of ordinary shares in issue ('000)	100,745	100,745	100,745	100,745
Basic earnings per share (sen)	4.01	1.52	4.01	1.52
Profit attributable to equity holders of the parent from continuing operations (RM'000)	4,306	3,996	4,306	3,996
Basic earnings per share from continuing operations (sen)	4.27	3.97	4.27	3.97

9 Sale of Unquoted Investments/Properties

During the period, the Group recognised a gain of RM4.7 million upon completion of disposal of a vacant piece of land in Sepang, Selangor.

On 16th January 2008, the Company entered into a sale and purchase agreement for the disposal of a property in Petaling Jaya, for a consideration of RM11.0 million. The disposal was completed on 18th April 2008.

There were no completion of sales of any unquoted investments or properties for the three months ended 31st March 2008 other than as mentioned above.

10 Short Term Investments

a) Purchases and disposals

There were no purchases or disposals of any short term investments for the three months ended 31st March 2008.

b) Investment as at 31st March 2008

There were no short term investments as at 31st March 2008.

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 three months ended 31st March 2008.

13 Dividends

The Board of Directors does not recommend the payment of any dividend for the quarter under review.

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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 31st March 2008, there was no open position of foreign currency forward contracts entered into by the Company.

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 three months ended 31st March 2008 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations other than the share sale agreement entered by the Company with BerMaz Motor Sdn Bhd (“Purchaser”), a wholly owned subsidiary of Berjaya Corporation Berhad on 29th February 2008 for the disposal of its wholly owned subsidiary, Hercules Automotive Engineers Sdn Bhd (“HAE”) to the Purchaser (“Proposed Sale”). The Proposed Sale was completed on 1st April 2008.

16 Status of Corporate Proposals

On 1st 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.

There were no corporate proposals undertaken/announced but not completed at the date of issue of this quarterly report other than as mentioned above.

17 Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31st March 2008:

	RM’000
Revolving credit	20,000
Total	<u>20,000</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 31st December 2007.

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19 Material Litigation

- a) On 9th 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 13th July 2000 for settlement by 1st 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 30th August 2002 and winding-up order against the debtor was obtained on 22nd 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 10th 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 2nd 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 31st March 2008 in relation to acquisition of property, plant and equipment were as follows:

	RM’000
Approved and contracted	700
Approved but not contracted	711
Total	<u>1,411</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 RM2.7 million in the first quarter which was RM4.3 million lower than the preceding quarter. The preceding quarter results had the benefit of year end target incentives paid by Mercedes-Benz Malaysia. The current quarter results were also affected by a provision of RM4.2 million on staff voluntary separation costs in line with the Group’s strategy to further streamline the workforce.

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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 Mercedes-Benz Malaysia, the early termination of Mercedes-Benz assembly (“MB assembly”), the discontinuation of the Peugeot business (“Peugeot”) and the discontinuation of the Mazda business (“Mazda”) is given below:

	3 months/Cumulative quarter ended					Total
	31.3.2008					
	Continuing Operations	Discontinued Operations				
	MB Wholesale	MB Assembly	Peugeot	Mazda		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	119,081	-	-	2,896	22,795	144,772
Expenses	(124,506)	-	3	(2,884)	(23,255)	(150,642)
Other income	8,558	-	-	43	140	8,741
Finance cost	(462)	-	-	-	-	(462)
Associated Company	56	-	-	-	-	56
Profit/(loss) before taxation	2,727	-	3	55	(320)	2,465
Taxation	1,579	-	-	-	(5)	1,574
Profit/(loss) after taxation	4,306	-	3	55	(325)	4,039

	3 months/ Cumulative quarter ended					Total
	31.3.2007 (Restated)					
	Continuing Operations	Discontinued Operations				
	MB Wholesale	MB Assembly	Peugeot	Mazda		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	132,356	-	-	7,070	17,923	157,349
Expenses	(131,724)	-	(5)	(7,752)	(19,933)	(159,414)
Other income	5,522	-	-	21	216	5,759
Finance cost	(1,277)	-	-	-	-	(1,277)
Associated Company	-	-	-	-	-	-
Profit/(loss) before taxation	4,877	-	(5)	(661)	(1,794)	2,417
Taxation	(881)	-	-	-	-	(881)
Profit/(loss) after taxation	3,996	-	(5)	(661)	(1,794)	1,536

The review of revenue and profit by operations is furnished in the Main Section of the announcement.

23 Variance of Actual Profit from Forecast Profit

The Company did not make any profit forecast.

24 Material Subsequent Events

Other than the announcement on 2nd April 2008 of the changes in the Board and Board Committees structures, there were no material events between 1st April 2008 and the date of this report.