

**CYCLE & CARRIAGE BINTANG BERHAD**  
**Notes to the Financial Information**  
**for the second quarter ended 30th June 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
<b>3 months ended 30th June 2007 (Restated)</b>					
Revenue	133,814	43,445	-	-	177,259
Profit/(loss) before tax	1,123	(1,712)	3,783	-	3,194
Profit/(loss) after tax	2,536	(1,715)	2,800	-	3,621
<b>3 months ended 30th June 2008</b>					
Revenue	<b>144,136</b>	<b>9,910</b>	-	-	<b>154,046</b>
Profit before tax	<b>12,638</b>	<b>102</b>	<b>21,506</b>	-	<b>34,246</b>
Profit after tax	<b>8,466</b>	<b>2</b>	<b>21,506</b>	-	<b>29,974</b>
<b>6 months ended 30th June 2007 (Restated)</b>					
Revenue	261,416	73,192	-	-	334,608
Profit/(loss) before tax	2,511	(4,425)	7,525	-	5,611
Profit/(loss) after tax	4,016	(4,428)	5,569	-	5,157
<b>6 months ended 30th June 2008</b>					
Revenue	<b>255,101</b>	<b>43,717</b>	-	-	<b>298,818</b>
Profit/(loss) before tax	<b>12,486</b>	<b>(129)</b>	<b>24,298</b>	<b>56</b>	<b>36,711</b>
Profit/(loss) after tax	<b>9,894</b>	<b>(235)</b>	<b>24,298</b>	<b>56</b>	<b>34,013</b>

\* 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 in respect of the investment in Mercedes-Benz Malaysia Sdn Bhd (“MBM”) until December 2012.

For the six months ended 30th June 2008, the Group recognised the tax exempt dividend of RM5.6 million in view that MBM has intention to declare tax exempt dividend, compared to RM7.5 million (Net: RM5.6 million) in 2007. The Group was paid a premium of RM18.7 million, which would have been payable previously on the Company’s exit from the joint venture, associated with the signing of an amendment agreement with DAG.

**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 six months ended 30th June 2008 were as follows:

- a) The Group recognised dividend income of RM5.6 million in respect of the investment in Mercedes-Benz Malaysia (MBM) as disclosed in Note 3 above.
- b) The Group was paid a premium of RM18.7 million, which would have been payable previously on the Company's exit from the joint venture, associated with the signing of an amendment agreement with DAG as disclosed in Note 3 above.
- c) A write-down of RM0.6 million was made to bring inventory to its net realisable value, partly offset by a reversal of RM2.2 million written down in previous years.
- d) The Group recognised a gain of RM4.7 million on disposal of a vacant piece of land in Sepang, Selangor.
- e) The Group recognised a gain of RM7.5 million on disposal of a property in Petaling Jaya, Selangor.
- f) A charge of RM5.2 million was made under a workforce rationalisation exercise.
- g) A charge of RM1.1 million was made on potential excise duties claimed by Custom Department for vehicles sold prior to 2003.

**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 six months ended 30th June 2008.

**7 Taxation**

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2008</b>	30.6.2007	<b>30.6.2008</b>	30.6.2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Tax (expense)/income from:				
- Continuing operations	<b>(4,172)</b>	430	<b>(2,592)</b>	(451)
- Discontinued operations	<b>(100)</b>	(3)	<b>(106)</b>	(3)
	<b>(4,272)</b>	427	<b>(2,698)</b>	(454)

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

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2008</b>	30.6.2007	<b>30.6.2008</b>	30.6.2007
	<b>%</b>	%	<b>%</b>	%
Statutory income tax rate of Malaysia	<b>26</b>	27	<b>26</b>	27
Expenses not deductible for tax purposes	<b>9</b>	14	<b>8</b>	7
Current year's temporary difference/tax losses not recognised	<b>9</b>	11	<b>9</b>	12
Utilisation of previously unrecognised temporary differences/tax losses	<b>(10)</b>	(57)	<b>(10)</b>	(33)
Income not subject to tax/subject to lower tax rate	<b>(22)</b>	(8)	<b>(26)</b>	(5)
Average effective tax rate	<b>12</b>	(13)	<b>7</b>	8

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**8 Earnings per Share**

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2008</b>	30.6.2007	<b>30.6.2008</b>	30.6.2007
		(Restated)		(Restated)
Basic earnings per share				
Profit attributable to equity holders of the parent (RM'000)	<b>29,974</b>	3,621	<b>34,013</b>	5,157
Weighted average number of ordinary shares in issue ('000)	<b>100,745</b>	100,745	<b>100,745</b>	100,745
Basic earnings per share (sen)	<b>29.75</b>	3.59	<b>33.76</b>	5.12
Profit attributable to equity holders of the parent from continuing operations (RM'000)	<b>29,972</b>	5,336	<b>34,248</b>	9,585
Basic earnings per share from continuing operations (sen)	<b>29.75</b>	5.30	<b>33.99</b>	9.51

**9 Sale of Unquoted Investments/Properties**

During the period, the Group recognised the followings:

- a) Gain of RM4.7 million upon completion of disposal of a vacant piece of land in Sepang, Selangor; and
- b) Gain of RM7.5 million upon completion of disposal of a property in Petaling Jaya, Selangor.

On 30th June 2008, the Company entered into a sale and purchase agreement for the disposal of a property in Bukit Raja. The completion of the disposal is expected in the second half of the year.

There were no completion of sales of any unquoted investments or properties for the six months ended 30th June 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 six months ended 30th June 2008.

- b) Investment as at 30th June 2008

There were no short term investments as at 30th June 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 six months ended 30th June 2008.

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**13 Dividends**

(a)	(i)	An interim ordinary dividend and a special dividend have been declared:		
				<b>RM</b>
	(ii)	Amount per share	<b>Interim</b>	<b>Special</b>
	(iii)	Previous corresponding period	0.05	1.35
	(iv)	Date payable	0.05	Nil
	(v)	In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 29th August 2008; and	19th September 2008	
(b)		The total dividend for the current financial year	1.40	
		The above dividend per share is before tax, the dividend will be paid net of income tax of 26%.		

**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 30th June 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 six months ended 30th June 2008 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations other than:

- a) 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.
- b) the share sale agreement entered by the Company with Mikani Holdings Sdn Bhd (“Purchaser”) on 18th July 2008 for the disposal of its wholly owned subsidiaries, Cycle & Carriage Motors Sdn Bhd, Cycle & Carriage Parts And Accessories Sdn Bhd and Asia Automobile Industries Sdn Bhd (the “Companies”). The Companies are engaged in the distribution and retailing of automotive spare parts and the assembly, distribution, retailing and servicing of trucks under the brand HOWO in Malaysia. The Purchaser is a company controlled by Steven Gareth Foster, the previous Managing Director of the Company, and this transaction is a management buy-out. The Proposed Sale was completed on 22nd July 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.

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**17 Group Borrowings and Debt Securities**

There were no borrowings and debt securities as at 30th June 2008 other than RM9,521,000 revolving credit and bankers acceptance classified as liabilities of disposal groups as disclosed in the Condensed Consolidated Cash Flow Statement.

**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.

**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 30th June 2008 in relation to acquisition of property, plant and equipment were as follows:

	<b>RM’000</b>
Approved and contracted	464
Approved but not contracted	740
Total	<u>1,204</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 RM34.1 million in the second quarter which was RM31.4 million higher than the preceding quarter as it benefited from the recognition of the one-off premium from investment in Mercedes-Benz Malaysia and gain on disposal of a property of RM7.5 million compared to RM4.7 million in the preceding quarter. The preceding 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”), the discontinuation of the Mazda business (“Mazda”) and the discontinuation of parts and truck businesses (“Parts & Truck”) is given below:

	<b>3 months ended</b>						Total
	<b>30.6.2008</b>						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	144,136	-	-	1,504	-	8,406	154,046
Expenses	(140,818)	(1,100)	(4)	(1,123)	721	(8,779)	(151,103)
Other income	30,887	-	-	1	515	11	31,414
Finance cost	(61)	-	-	-	-	(50)	(111)
Associated Company	-	-	-	-	-	-	-
Profit/(loss) before taxation	34,144	(1,100)	(4)	382	1,236	(412)	34,246
Taxation	(4,172)	-	-	-	-	(100)	(4,272)
Profit/(loss) after taxation	29,972	(1,100)	(4)	382	1,236	(512)	29,974

	<b>3 months ended</b>						Total
	<b>30.6.2007 (Restated)</b>						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	133,814	-	-	7,567	29,994	5,884	177,259
Expenses	(134,152)	294	(3)	(9,102)	(30,571)	(5,899)	(179,433)
Other income	6,254	-	-	10	110	4	6,378
Finance cost	(1,010)	-	-	-	-	-	(1,010)
Associated Company	-	-	-	-	-	-	-
Profit/(loss) before taxation	4,906	294	(3)	(1,525)	(467)	(11)	3,194
Taxation	430	-	-	-	(3)	-	427
Profit/(loss) after taxation	5,336	294	(3)	(1,525)	(470)	(11)	3,621

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

	<b>6 months ended</b>						<b>Total</b>
	<b>30.6.2008</b>						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	255,101	-	-	4,400	22,795	16,522	298,818
Expenses	(257,215)	(1,100)	-	(4,007)	(22,534)	(16,889)	(301,745)
Other income	39,421	-	-	43	655	36	40,155
Finance cost	(523)	-	-	-	-	(50)	(573)
Associated Company	56	-	-	-	-	-	56
Profit/(loss) before taxation	36,840	(1,100)	-	436	916	(381)	36,711
Taxation	(2,592)	-	-	-	(6)	(100)	(2,698)
Profit/(loss) after taxation	34,248	(1,100)	-	436	910	(481)	34,013

	<b>6 months ended</b>						<b>Total</b>
	<b>30.6.2007 (Restated)</b>						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	261,416	-	-	14,637	47,917	10,638	334,608
Expenses	(260,869)	294	(8)	(16,854)	(50,504)	(10,906)	(338,847)
Other income	11,776	-	-	31	326	4	12,137
Finance cost	(2,287)	-	-	-	-	-	(2,287)
Associated Company	-	-	-	-	-	-	-
Profit/(loss) before taxation	10,036	294	(8)	(2,186)	(2,261)	(264)	5,611
Taxation	(451)	-	-	-	(3)	-	(454)
Profit/(loss) after taxation	9,585	294	(8)	(2,186)	(2,264)	(264)	5,157

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**

There were no material events subsequent to 30th June 2008 and the date of issue of this report other than the completion of the sale of its parts and truck businesses on 22nd July 2008 and the declaration of a special dividend as disclosed in Note 13 above.