

CYCLE & CARRIAGE BINTANG BERHAD
Notes to the Financial Information
for the third quarter ended 30th September 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 30th September 2007 (Restated)					
Revenue	134,014	34,624	-	-	168,638
Profit before tax	1,812	386	3,824	-	6,022
Profit after tax	1,158	492	2,830	-	4,480
3 months ended 30th September 2008					
Revenue	140,134	-	-	-	140,134
Profit before tax	1,067	31	2,822	79	3,999
Profit after tax	993	31	2,822	79	3,925
9 months ended 30th September 2007 (Restated)					
Revenue	395,430	107,816	-	-	503,246
Profit/(loss) before tax	4,323	(4,039)	11,349	-	11,633
Profit/(loss) after tax	5,175	(3,936)	8,398	-	9,637
9 months ended 30th September 2008					
Revenue	395,235	43,717	-	-	438,952
Profit/(loss) before tax	13,553	(98)	27,120	135	40,710
Profit/(loss) after tax	10,887	(204)	27,120	135	37,938

* 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 nine months ended 30th September 2008, the Group recognised the tax exempt dividend of RM8.4 million in view that MBM has intention to declare tax exempt dividend, compared to RM11.3 million (Net: RM8.4 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 nine months ended 30th September 2008 were as follows:

- a) The Group recognised dividend income of RM8.4 million in respect of the investment in Mercedes-Benz Malaysia 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 Daimler AG 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 RM1.6 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 nine months ended 30th September 2008.

7 Taxation

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Tax (expense)/income from:				
- Continuing operations	(74)	(1,648)	(2,666)	(2,099)
- Discontinued operations	-	106	(106)	103
	(74)	(1,542)	(2,772)	(1,996)

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

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	%	%	%	%
Statutory income tax rate of Malaysia	26	27	26	27
Expenses not deductible for tax purposes	3	5	8	6
Current year's temporary difference/tax losses not recognised	-	7	7	1
Utilisation of previously unrecognised temporary differences/tax losses	(7)	(13)	(8)	(14)
Temporary differences previously recognised as deferred tax assets, now reversed	-	2	-	1
Income not subject to tax/subject to lower tax rate	(20)	-	(26)	(3)
Prior year (over)/under provision	-	(2)	-	(1)
Average effective tax rate	2	26	7	17

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8 Earnings per Share

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
		(Restated)		(Restated)
Basic earnings per share				
Profit attributable to equity holders of the parent (RM'000)	3,925	4,480	37,938	9,637
Weighted average number of ordinary shares in issue ('000)	100,745	100,745	100,745	100,745
Basic earnings per share (sen)	3.90	4.45	37.66	9.57
Profit attributable to equity holders of the parent from continuing operations (RM'000)	3,894	3,988	38,142	13,573
Basic earnings per share from continuing operations (sen)	3.87	3.96	37.86	13.47

9 Sale of Unquoted Investments/Properties

During the nine months ended 30th September 2008, the Group recognised the followings:

- Gain of RM4.7 million upon completion of disposal of a vacant piece of land in Sepang, Selangor; and
- Gain of RM7.5 million upon completion of disposal of a property in Petaling Jaya, Selangor.
- Gain of RM0.3 million upon completion of disposal of a property in Bukit Raja, Selangor.

There were no completion of sales of any unquoted investments or properties for the nine months ended 30th September 2008 other than as mentioned above.

10 Short Term Investments

- Purchases and disposals

There were no purchases or disposals of any short term investments for the nine months ended 30th September 2008.

- Investment as at 30th September 2008

There were no short term investments as at 30th September 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 nine months ended 30th September 2008.

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13 Dividends

	9 months ended 30th September 2008		9 months ended 30th September 2007	
	Gross dividend per share Sen	Amount of dividend net of 26% tax RM'000	Gross dividend per share Sen	Amount of dividend net of 27% tax RM'000
Final dividend approved by shareholders in respect of the financial year ended 31st December 2007, paid on 20th June 2008 (2007: paid on 22nd June 2007)	<u>5</u>	<u>3,728</u>	<u>5</u>	<u>3,677</u>
Interim dividend declared in respect of the financial year ending 31st December 2008, paid on 19th September 2008 (2007: paid on 21st September 2007)	<u>5</u>	<u>3,728</u>	<u>5</u>	<u>3,677</u>
Special dividend declared in respect of the financial year ending 31st December 2008, paid on 19th September 2008 (2007: Nil)	<u>135</u>	<u>100,643</u>	<u>-</u>	<u>-</u>

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 30th September 2008, there was no open position of foreign currency forward contracts entered into by the Company.

15 Changes in the Composition of the Group

There were no changes in the composition of the Group for the nine months ended 30th September 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.

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15 Changes in the Composition of the Group (Cont'd)

- 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.

17 Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30th September 2008:

	RM’000
Bankers Acceptance	19,977
Total	<u>19,977</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.

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.

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20 Capital Commitments

Capital Commitments of the Group as at 30th September 2008 in relation to acquisition of property, plant and equipment were as follows:

	RM'000
Approved and contracted	948
Approved but not contracted	5
Total	<u>953</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 RM4 million in the third quarter which was RM30.2 million lower than the preceding quarter as the second quarter results benefited from the recognition of the one-off premium from investment in Mercedes-Benz Malaysia of RM18.7 million and gain on disposal of a property of RM7.5 million.

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:

	3 months ended						Total
	30.9.2008						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	140,134	-	-	-	-	-	140,134
Expenses	(141,286)	-	(4)	(2)	37	-	(141,255)
Other income	5,148	-	-	-	-	-	5,148
Finance cost	(107)	-	-	-	-	-	(107)
Associated Company	79	-	-	-	-	-	79
Profit/(loss) before taxation	3,968	-	(4)	(2)	37	-	3,999
Taxation	(74)	-	-	-	-	-	(74)
Profit/(loss) after taxation	3,894	-	(4)	(2)	37	-	3,925

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

	3 months ended						Total
	30.9.2007 (Restated)						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	134,014	-	-	6,730	21,730	6,164	168,638
Expenses	(132,262)	-	(4)	(6,230)	(21,986)	(6,070)	(166,552)
Other income	4,880	-	-	11	41	-	4,932
Finance cost	(996)	-	-	-	-	-	(996)
Associated Company	-	-	-	-	-	-	-
Profit/(loss) before taxation	5,636	-	(4)	511	(215)	94	6,022
Taxation	(1,648)	-	-	34	72	-	(1,542)
Profit/(loss) after taxation	3,988	-	(4)	545	(143)	94	4,480

	9 months ended						Total
	30.9.2008						
	Continuing Operations	Discontinued Operations					
	MB Wholesale	MB Assembly	Peugeot	Mazda	Parts & Truck		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	395,235	-	-	4,400	22,795	16,522	438,952
Expenses	(398,501)	(1,100)	(4)	(4,009)	(22,497)	(16,889)	(443,000)
Other income	44,569	-	-	43	655	36	45,303
Finance cost	(630)	-	-	-	-	(50)	(680)
Associated Company	135	-	-	-	-	-	135
Profit/(loss) before taxation	40,808	(1,100)	(4)	434	953	(381)	40,710
Taxation	(2,666)	-	-	-	(6)	(100)	(2,772)
Profit/(loss) after taxation	38,142	(1,100)	(4)	434	947	(481)	37,938

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

	Continuing Operations	9 months ended 30.9.2007 (Restated)					Total
		Discontinued Operations		Peugeot	Mazda	Parts & Truck	
		MB Wholesale	MB Assembly				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	395,430	-	-	21,367	69,647	16,802	503,246
Expenses	(393,131)	294	(12)	(23,084)	(72,490)	(16,976)	(505,399)
Other income	16,656	-	-	42	367	4	17,069
Finance cost	(3,283)	-	-	-	-	-	(3,283)
Associated Company	-	-	-	-	-	-	-
Profit/(loss) before taxation	15,672	294	(12)	(1,675)	(2,476)	(170)	11,633
Taxation	(2,099)	-	-	34	69	-	(1,996)
Profit/(loss) after taxation	13,573	294	(12)	(1,641)	(2,407)	(170)	9,637

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 between 1st October 2008 and the date of this report.