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**15  
SIMON CHAM KIM FATT  
Head, Information Technology**

Mr Simon Cham Kim Fatt completed his tertiary education in the United Kingdom, and pursued his upper Honours Degree in Computing Science from the University of Greenwich, London. He also holds a Master of Business Administration from the University of Wales, with extensive experience in the areas of software and hardware, network, IT security, and project management.

Mr Simon Cham had assumed many roles in Information technology, namely Assistant General Manager and member of the senior management team for HICOM Communications Sdn. Bhd. and HICOM Teleservices Sdn. Bhd. He assumed the position of Assistant General Manager at HICOM Network Services until 2008, where he was tasked to set up the Group's IT Division under DRB-HICOM.

As Head, Information Technology, Mr Simon Cham helps to devise Information Technology strategy for the Group as well as manages the IT infrastructure at the Corporate Office.

**16  
ABDUL JAMIL BIN JOHARI  
Head, Group Internal Audit**

Encik Abdul Jamil bin Johari started his career with the Royal Malaysian Police as an Inspector in 1980. While serving the Police Force, Encik Abdul Jamil earned a Bachelor of Law degree from the University of Wales, Cardiff in 1995. He obtained his Certificate of Legal Practice in 1996.

Encik Abdul Jamil's foray into the world of Internal Audit began in 1996 when he joined Kompleks Kewangan Berhad as Assistant Manager (Investigations) Internal Audit Division and later as Head of Investigation with Kuala Lumpur Stock Exchange (KLSE).

In 2005, he was appointed as the General Manager of Group Security of PROTON Holdings Berhad to put together and lead Protective Security initiatives and investigations within the Group.

Prior to joining DRB-HICOM in April 2012 as Head of Group Internal Audit, Encik Abdul Jamil was attached to Kuwait Finance House (M) Bhd. as Director of Investigations Internal Audit Division.

**17  
AMALANATHAN L. THOMAS  
Head, Group Financial Services**

Mr Amalanathan Thomas holds a Master of Business Administration from University of Malaya, and earned Professional Qualifications in Accounting and Taxation. His experience spans over 25 years in the field of finance and accounting, which earned him director seats in several subsidiaries and associated companies within DRB-HICOM Group including Scott & English (Malaysia) Sdn. Bhd., Gadek (Malaysia) Berhad, HICOM Auto Sdn. Bhd., Niro Ceramic Sdn. Bhd. and Corwin Holding Ltd.

His extensive knowledge of the Group, its businesses and the relevant industry puts him in the forefront of numerous acquisitions, divestments, debt restructuring carried out in the Group. He was also the Chairman of the Working Committee on the Group-wide implementation of

FRS139 and other Financial Accounting Standards.

Currently, as the Head of Group Financial Services Division, he oversees the accounting and taxation matters for the Group and attends the DRB-HICOM's Audit Committee meetings. He is an Associate Member of both the Chartered Tax Institute of Malaysia, Institute of Internal Auditors and Malaysian Institute of Management.

**18  
MASALINA BINTI UJANG  
Head, Human Capital Development**

Puan Masalina binti Ujang graduated from the West Texas State University in 1989 with a Bachelor of Science degree, majoring in Public Administration (Political Science Psychology). She also holds a Masters in Business Administration from Universiti Sains Malaysia.

With her wide experience in human capital management, Puan Masalina was appointed as the Administrator at the Malaysian Crime Prevention Foundation (MCPF) in Kuala Lumpur where she reported to Prime Minister of Malaysia, YAB Dato' Seri Mohd Najib bin Tun Haji Abdul Razak, who is the MCPF Chairman then. She is also involved in the International Asia Crime Prevention Foundation Seminar in Brisbane and Ontario in 2000 and 2002 respectively.

During her career as a human capital practitioner, Puan Masalina worked with reputable companies such as WWE Holdings Berhad, Scomi Group Berhad, Scope International, Maybank Group and SRG Asia Pacific before joining DRB-HICOM in the current position.

**DRB-HICOM is in its growth mode, where every opportunity is deemed a blessing, towards achieving new potential or optimising the current capabilities**





Rebak Island Resort Jetty in Langkawi

# statement on corporate governance

Corporate Governance sets out the framework and process by which companies, through their Board of Directors and Management, regulates their business activities. It balances sound and safe business operations with compliance of the relevant laws and regulations. Good corporate governance is globally accepted as being fundamental to an organisation's competitiveness, growth and enhances shareholders' value through a sustainable business.

The Board of Directors of DRB-HICOM is committed to ensuring that the highest standards of Corporate Governance are practised throughout the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group and protecting and enhancing shareholders' value and financial performance. To continuously achieve the highest standards of Corporate Governance, the Board ensures that the Company conducts itself in compliance with laws and ethical values and maintains an effective governance structure to ensure the appropriate management of risks and level of internal control in the Group.

The Securities Commission had on 29 March 2012 issued the Malaysian Code on Corporate Governance 2012 ("the Code 2012") which will be effective on 31 December 2012 and supercedes the 2007 Code.

The Board is pleased to set out below the manner in which the Company has applied the principles set out in the Code 2012, and the extent to which the Company has complied in all material respects with the best practices of the Code 2012 as well as the international best practices during the financial year ended 31 March 2012.

As set out in the Code 2012, the Board has observed the specific recommendations on structures and process which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

Amongst others, the Board provides leadership and ensures the Company conducts itself in compliance with the laws and ethical values besides maintaining an effective governance structure to ensure the appropriate management of risks and level of internal controls.

## 1. BOARD OF DIRECTORS

### 1.1 Duties and Responsibilities of the Board

The Board has the following six (6) specific responsibilities, which facilitate the discharge of the Board's stewardship responsibilities in the best interest of the Company:-

#### i. Adopting and reviewing a strategic plan for the Company

The Board has the overall responsibility in leading and determining the Group's overall strategic direction as well as development and control of the Group without neglecting the shareholders' interest. The strategic plan of the Group includes the element of strategic risk and not limited to just financial.

The Board approves and adopts the Group's Annual Management Plan ("AMP") and the overall strategic direction on a yearly basis and for the ensuing year. The process also includes the Board reviewing and approving the AMP and the corporate key performance indicators ("KPIs") which are used by the Board for tracking the Company's performance against the targets. These would ensure the financial performance and the business of the Company are properly managed and the shareholders' values are safeguarded.

To ensure the achievement of the Group's overall strategic direction and AMP, yearly KPIs have been formulated for the Group Managing Director and these KPIs are cascaded down to the respective Chief Executive Officers/Chief Operating Officers and other Management team members of the Group.

The Board also reviews the sustainability of the strategic direction to ensure the Group achieves the targets in line with fast changing market environment. In addition, the Board reviews the Company's funding requirements on a continuing basis including treasury matters and approval of financial arrangements.

#### ii. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained

The Board provides entrepreneurial leadership and specifies the parameters within which Management decisions are to be made. High integrity practice is adopted by all the Board members to avoid improper use of information, conflict of interest, secret profit, contract with the Company and any other corrupt activities.

In discharging its responsibilities, the Board has established the implementation of appropriate internal systems to support, promote and ensure compliance with the laws and regulations governing the Company. This includes taking into account the Company's continuing viability as an enterprise, its cognizance of risks, values which embrace ethical conduct and creation of sustainable value.

To ensure an optimum structure for efficient decision-making, the Boards of the Company and all Group Companies, approved a framework on Limits of Authority ("LOA") to reflect the flow of authority and function of Group Managing Director and Management in accordance with the approved financial limits. The LOA also specified a formal schedule of matters reserved for the Board's deliberation and decision making.

The LOA is reviewed as and when required. At Board Meetings, the Group Managing Director presents detailed progress reports on the operations of the Group by sectors/ companies, financial performance for the period, updates on key strategic activities, key corporate exercises, significant events of the Group and achievements compared to the AMP.

The Board retains full and effective control of the Group by reviewing Management's performance against the AMP periodically and ensures that the necessary financial and human resources are available to meet the Group's objectives.

In addition, the Board considered and approved the setting up of individual business units, business continuity framework, declaration of dividends, investment activities which involved business restructuring, acquisition, disposal of companies, reorganisation of internal companies and other major business decisions to be carried out by the Group.

iii. **Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks**

The Board is responsible for reviewing principal risks, establish appropriate risk management and internal control procedures of the Company to ensure that obligations to shareholders and other stakeholders are met.

The review is conducted by the Board Risk Committee ("BRC") in addition to the Group Risk Management Committee ("Group RMC"), headed by the Group Managing Director. The objective is to provide oversight function to the risk management of the Group.

The Board through the BRC oversees the risk management activities of the Group. The BRC formulates relevant proposals on risk management policies and risk measurement parameters across the Group and makes the appropriate recommendations to the Board for its approval. The BRC is responsible for ensuring that the risk management framework in the Group operates effectively based on the policies approved by the Board.

The Group RMC reviews and presents the identified risks to the BRC regularly before submission to the Board on the key risks and controls to mitigate the risks and action plans. Further details on risk management are set out in the section on "Risk Management" from pages 65 to 66.

iv. **Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management of the Company**

The Nomination and Remuneration Committee ("NRC") has been entrusted with the responsibility to review candidates for appointment to the Board, Board Committees and Senior Management for Grade 11 and above. The NRC also has the responsibility to determine the remuneration of Executive Directors and other Senior Management personnel from Grade 11 and above.

The Management had embarked on talent management and succession planning. The progress related to succession planning and development programme of the Group are closely monitored by the Management.

The status will be reviewed by the NRC periodically before submission to the Board. Further details of NRC of the Company are set out on pages 46 to 47 of the Annual Report.

v. **Developing and implementing an investor relations programme or shareholder communications policy for the Company**

The Board recognises the importance of maintaining transparency and accountability to the shareholders and stakeholders. The Group Investor Relations had been entrusted with the responsibility to handle investor relations ("IR") and communications to the shareholders.

The Group maintains a website at [www.drb-hicom.com](http://www.drb-hicom.com) which can be conveniently accessed by the shareholders and the general public. The Group's website is updated from time to time to provide the latest and comprehensive information about the Group, including press releases, corporate announcements and quarterly announcements of the Group results.

The Company has also established a Corporate Disclosure Policy to be in line with the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 22 September 2011. The Corporate Disclosure Policy of the Company provides guidance to the Board, Management, Officers and employees of the Company's disclosure requirements and practices in particular the preparation and submission of timely, true and fair financial disclosures and material announcements to Bursa Malaysia. This would enhance the Company's compliance, accountability and timely disclosures to all the shareholders and stakeholders.

- vi. Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit Committee periodically during its quarterly meetings. The review covers the Group's financial, accounting and reporting policies and practices, reports of the internal and external auditors and the adequacy of the system of internal controls to safeguard the shareholders' interests and Group's assets. The Group Internal Audit Division monitors compliance with policies and the effectiveness of internal control structures across the Group, whilst legal and regulatory compliance are the responsibilities of the Legal Affairs Department, Corporate Secretarial and Corporate Planning Divisions.

The officers responsible are as follows:-

- a. Chan Choy Lin, Carol  
Group Director Corporate Affairs/Company Secretary  
Tel : (03) 2052 7695  
Fax : (03) 2052 7696  
E-mail : cclin@drb-hicom.com
- b. Abdul Jamil bin Johari  
Head, Internal Audit  
Tel : (03) 2052 8962  
Fax : (03) 2052 8959  
E-mail : jamil@drb-hicom.com
- c. Mimi Aisyah Chye binti Abdullah  
General Manager, Corporate Planning  
Tel : (03) 2052 8245  
Fax : (03) 2052 8928  
E-mail : mimiaisyah@drb-hicom.com
- d. Noraishah binti Mohd Radzi  
Head, Legal Affairs Department  
Tel : (03) 2052 8071  
Fax : (03) 2052 8947  
E-mail : noraishah@drb-hicom.com

The Group's Statement on Internal Control, which provides an overview of the state of internal controls within the Group, is set out from pages 56 to 57 of this Annual Report.

## 1.2 Composition and Balance

The current Board has eight (8) members, comprising one (1) Executive Director and seven (7) Non-Executive Directors (including the Chairman) of whom five (5) are independent as defined by Bursa Securities Main Market Listing Requirements ("Bursa Securities Listing Requirements"). The independent Directors make up 62% of the Board membership. Hence, the Board more than fulfills the prescribed requirements for one-third of the membership of the Board to be Independent Board Members.

Pursuant to the Code 2012, the Company has recently established a Board Charter which sets out the various Board functions and responsibilities, including division of responsibilities between the Board, the different Board Committees, the Chairman, the Group Managing Director and the Chief Executive Officer.

The Board charter is a source reference and primary induction literature, providing insights to prospective Board Members and Senior Management.

The NRC, pursuant to its recent annual review, is satisfied that the size and composition of the Board is appropriate and well balanced to fairly reflect the interests of major and minority shareholders. The NRC is also satisfied that all members of the Board are suitably qualified in view of their respective qualifications and experience which provide the Board with a good mix of industry-specific knowledge and broad business sense and commercial experience. These includes business, corporate and entrepreneurial sectors, legal, finance, accounting and economics.

The Board members with their diverse academic qualifications, background and experiences enable the Board to provide clear and effective leadership to the Group and bring information and independent judgment to many aspects of the Group's strategy and performance so as to ensure that the highest standards of professionalism, conduct, transparency and integrity are maintained by the Group.

In line with the Code 2012, the Company through its NRC conducted an annual assessment of the independence of the Independent Directors and is satisfied that the Independent Directors are independent as they fulfilled the required criteria stipulated in the Bursa Securities Listing Requirements.

The five (5) Independent Directors in effect represent the interest of minority shareholders of the Company by virtue of their roles and responsibilities as Independent Directors. They are responsible for bringing independent judgment and scrutiny to the Board's decision making and providing challenges to the Management. They play an important and pivotal role in corporate accountability, which is reflected by their memberships of and attendances at the various Board Committees.

None of the Independent Directors participate in the daily management of the Group to ensure that they are free from any relationship which could interfere with the exercise of independent judgement in the best interests of the Company and of the minority shareholders. None of the Independent Directors has exceeded a cumulative term of nine (9) years on the Company's Board.

The Senior Independent Non-Executive Chairman, Dato' Syed Mohamad bin Syed Murtaza has more than 40 years experience in the business corporate and entrepreneurial sectors. He is also the Company's Senior Independent Non-Executive Director responsible for providing clarifications to the shareholders at the Company's general meetings. Under the stewardship of the Chairman, the Company was awarded with the Best Conduct of Annual General Meeting by the Minority Shareholders Watchdog Group in respect of the Malaysian Corporate Governance Index 2011.

The Directors are well experienced in their respective fields and together provide an effective blend of entrepreneurship, business and professional expertise. A brief profile of each Director is presented on pages 32 to 37.

No individual or group of individuals dominates the Board's decision making as the Independent Directors play an important role in providing independent views and opinions by objectively participating in the proceedings and decision making process of the Board. The Board discharges its duties effectively in ensuring the Company achieved strong financial performance and sustainable value to the stakeholders.

### 1.3 Roles and Responsibilities of the Chairman and the Group Managing Director

The Chairman is responsible for ensuring Board effectiveness and conduct. He encourages a healthy debate on issues raised at meetings, and gives opportunity to Directors who wish to speak on the motions, either for or against them. The Group Managing Director has overall responsibility for the management of the operating units, organisational effectiveness and the implementation of Board policies, decisions and strategies.

The segregation between the duties of the Chairman and Group Managing Director ensures appropriate balance of role, responsibility and accountability at the Board level.

### 1.4 Appointments and Training

There is a formal and transparent procedure for the appointment of new Directors to the Company and the Group, with the NRC evaluating and making recommendations to the respective Boards. Following the appointment of new Directors to the Board, the NRC will ensure that an induction programme is arranged, including visits to the Group's significant businesses and meetings with senior management as appropriate, to enable them to get a full understanding of the nature of the businesses, current issues within the Group and corporate strategies as well as the structure and management of the Group.

The Board recognizes that gender diversity is of importance to the boardroom diversity and will continue to encourage and support for more women participation on the Board. The Board through the NRC will review the proportion of the female to male board members during the annual assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required of the Board Members, in the context of the needs of the Group.

Currently, Dato' Noorrizan binti Shafie, Non-Independent Non-Executive Director is the only female Director of the Company.

All existing Directors have completed the Mandatory Accreditation Programme and are also encouraged to attend continuous education programmes and seminars to keep abreast with the latest developments in the marketplace and to further enhance their business acumen and professionalism in discharging their duties to the Group. The Directors may also request at the expense of the Company to attend additional training courses according to their individual needs as a Director or member of Board Committees on which they serve. A dedicated training budget for Directors' continuing training is provided each year to ensure the Directors are well equipped with the relevant skills and knowledge to meet the challenges ahead.

The Company Secretary keeps a complete record of the training received and attended by the Directors. Seminars, conferences and training programmes attended by Directors during the financial year ended 31 March 2012 include the following:-

| Directors                              | Training Attended  |
|--|--|
| Dato' Syed Mohamad bin Syed Murtaza    | <ul style="list-style-type: none"> <li>• Competition Act</li> <li>• Scrutinising Financial Statement Fraud &amp; Detection of Red Flag for Directors &amp; Officers of PLC's Government Regulation Agencies</li> <li>• Board Challenges</li> </ul>         |
| Dato' Sri Haji Mohd Khamil bin Jamil   | <ul style="list-style-type: none"> <li>• Competition Act</li> <li>• Stallion Strengths Programme</li> </ul>  |
| Dato' Noorrizan binti Shafie           | <ul style="list-style-type: none"> <li>• Competition Act</li> <li>• Director's Duties Conference 2011</li> </ul>   |
| Dato' Ibrahim bin Taib                 | <ul style="list-style-type: none"> <li>• Competition Act</li> <li>• Scrutinising Financial Statement Fraud &amp; Detection of Red Flag for Directors &amp; Officers of PLC's Government Regulation Agencies</li> </ul>                                     |
| Datuk Haji Abdul Rahman bin Mohd Ramli | <ul style="list-style-type: none"> <li>• The Institute of Internal Auditors International Conference 2011</li> <li>• Competition Act</li> <li>• Directors' Duties &amp; Corporate Governance</li> <li>• Overview of Competition Law in Malaysia</li> </ul> |
| Ong le Cheong                          | <ul style="list-style-type: none"> <li>• Competition Act</li> <li>• Director's Duties Conference 2011</li> </ul>   |
| Tan Sri Marzuki bin Mohd Noor          | <ul style="list-style-type: none"> <li>• The Institute of Internal Auditors International Conference 2011</li> <li>• Competition Act</li> </ul>  |
| Ooi Teik Huat                          | <ul style="list-style-type: none"> <li>• The Institute of Internal Auditors International Conference 2011</li> <li>• Competition Act</li> </ul>  |

Apart from attending various conferences, seminars and training programmes organised by external/internal organisers during the financial year, the Directors also visited key operating units of the Group and continuously received briefings and updates on regulatory, industry and legal developments, including information on the Group's businesses and operations, risk management activities and other initiatives undertaken by Management.

## 1.5 Board Effectiveness

The Board, through its delegation to the NRC, had implemented the process for an annual effectiveness assessment of the Board of Directors, Board Committees and the contribution of each Director to the effectiveness of the Board. The objective is to improve the Board's effectiveness by identifying gaps, maximising strengths and addressing weaknesses.

The Chairman of the NRC oversees the overall evaluation process whereby self-assessment methodologies are used and issues for assessment are presented in customised questionnaires.

## 1.6 Reappointment and Re-Election of Board members

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for reappointment to hold office until the next annual general meeting.

In accordance with the Company's Articles of Association, any new Director so appointed should hold office only until the next annual general meeting and should then be eligible for re-election. The Articles also provide that all Directors shall retire from office by rotation once every three years but shall be eligible for re-election. The Managing Director also ranks for re-election by rotation.

The NRC reviews and assesses annually the proposed reappointment and re-election of existing Directors who are seeking reappointment and re-election at the annual general meeting of the Company. The NRC will, upon its review and assessment, submit its recommendation on the proposed reappointment and re-election of Directors to the Board for approval, before tabling such proposals to the shareholders at the annual general meeting.

The reappointment and re-election of Directors provide shareholders an opportunity to reassess the composition of the Board.

## 1.7 Conflicts of Interest

The Directors continue to observe the Company Directors' Code of Ethics established by the Company in carrying out their fiduciary duties and responsibilities. This is to ensure that high ethical standards are upheld, and that the interests of stakeholders are always taken into consideration. The Directors are required to declare their direct and indirect interests in the Company and related companies. It is also the Directors' responsibility to declare to the Board whether they and any person(s) connected to them have any potential or actual conflict of interest in any transaction or in any contract or proposed contract with the Company or any of its related companies. Any Director who has an interest in any related party transaction shall abstain from Board deliberation and voting and shall ensure that he and any person(s) connected to him will also abstain from voting on the resolution before them.

The Company had put in place appropriate controls to ensure the systematic identification of potential conflicts of interest and procedures between the Directors and the operation of the Group so as to manage such conflict of interest if arises.

The Directors and Senior Management are also informed of the closed periods periodically in accordance with the relevant provisions of Bursa Securities Listing Requirements. The purpose is to remind the Directors and Senior Management not to deal in securities of the Company as long as they are in possession of price-sensitive information.

## 1.8 Board Meetings and Supply of Information to the Board

To ensure that the Group is managed effectively, the Board meetings for the ensuing calendar year are scheduled in advance before the end of each calendar year so as to enable the Directors to plan ahead and fit the year's Board meetings into their own schedules.

The Board meets at least four (4) times a year, once every quarter and additional meetings are convened between the scheduled meetings as Special Board Meetings as and when necessary where any direction or decisions are required expeditiously from the Board. To assist the Board in effective control of the Group, the Board meetings are governed by a structured formal agenda and schedule of matters arising for approval or notation with sufficient time given for deliberations. The key matters reserved for approval by the Board are the Group's strategies and AMP, quarterly financial results, audited financial statements, significant expenditures, significant acquisitions and disposals, appointment of Directors/Board Committee members, remuneration for Directors (excluding fees), declaration of interim dividends, related party transactions, major restructuring and such other relevant matters affecting the Group's operations.

The Directors are supplied in a timely manner with information in a form and of a quality as appropriate for their perusal in advance of the date of the Board meeting. In addition to financial information, other information deemed suitable such as new statutory and regulatory requirements concerning their duties and responsibilities, risk management updates, customer satisfaction, product and service quality, market share and market trends, manpower and human resource and environmental issues are also provided.

Prior to Board Meetings, all Directors will receive the agenda and a set of Board Papers containing information relevant to the matters to be deliberated at the meetings.

This is to accord sufficient time for the Directors to review the Board Papers and if required, seek clarification and explanation from the Management or the Company Secretary. At the Board meeting, the Chairman encourages the Board members to have constructive, open and healthy debate to ensure that decisions are made after effective discussions by the Directors. Decisions of the Board are made unanimously or by consensus after the issues are thoroughly deliberated by the Board members. The Board is able to arrive at a considered decision with the information and clarification provided by the Management and professional advisors.

All Directors, whether independent or otherwise, have direct and unrestricted access to Management and may seek professional advice at the Group's expense, if required. Professional advisers, consultants, auditors and solicitors appointed by the Company to advise on corporate proposals to be undertaken by the Company, are invited to attend Board meetings to render their advice and opinion, and also to clarify any issues raised by the Directors relating to any relevant business tabled for the Board's consideration.

The Board met a total of eight (8) times in the financial year ended 31 March 2012 and all the Directors attended more than half of the meetings held during the financial year in compliance with Bursa Securities Listing Requirements.

Details of the attendances of Directors at the Board Meetings for the financial year ended 31 March 2012 are disclosed below:-

| Directors                            | Designation  | Attendance |
|--------------------------------------|--|------------|
| Dato' Syed Mohamad bin Syed Murtaza  | Chairman/Senior Independent Non-Executive Director | 8/8        |
| Dato' Sri Haji Mohd Khamil bin Jamil | Group Managing Director                            | 8/8        |
| Dato' Noorizan binti Shafie          | Non-Independent Non-Executive Director             | *5/8       |
| Dato' Ibrahim bin Taib               | Non-Independent Non-Executive Director             | 8/8        |

| Directors (cont'd)                     | Designation                        | Attendance |
|--|------------------------------------|------------|
| Datuk Haji Abdul Rahman bin Mohd Ramli | Independent Non-Executive Director | 8/8        |
| Tan Sri Marzuki bin Mohd Noor          | Independent Non-Executive Director | 8/8        |
| Ong le Cheong                          | Independent Non-Executive Director | 7/8        |
| Ooi Teik Huat                          | Independent Non-Executive Director | 8/8        |

\* Absent for two (2) meetings due to medical leave.

## 1.9 Company Secretary

All Directors also have access to the advice and services of the Company Secretary who has the relevant working experience and whose appointment and removal is a matter for the Board as a whole. The Company Secretary attends all Board and Board Committee meetings and ensures that there is a quorum for all the meetings. She is also responsible for ensuring that all the meetings are convened in accordance with the Board procedures and relevant terms of references.

The minutes of the meetings are prepared to include amongst others, pertinent issues, substance of enquires and responses, recommendations and decisions made by the Directors. The minutes of the meetings are properly kept in line with the relevant statutory requirements by the Companies Act, 1965.

## 1.10 Board Committees

To ensure the effective discharge of its fiduciary duties, the Board has delegated specific responsibilities to the respective Committees of the Board. The functions and terms of reference of Board Committees, as well as the levels of authority delegated by the Board to these Committees, are clearly set out by the Board. In addition, from time to time the Board reviews the functions and terms of reference of Board Committees to ensure that they are relevant and updated in line with the latest provision of the Code of Corporate Governance and other related policies or regulatory requirements.

The Chairmen of the respective Board Committees reports to the Board, the outcome of Board Committee meetings and the Board also reviews the minutes of the Board Committee meetings. The Board retains full responsibility for the direction and control of the Group.

The Board has established three (3) Board Committees namely, Audit Committee, Board Risk Committee and Nomination and Remuneration Committee.

Details of the current Board Committees in the Company are as follows:-

### i. Audit Committee

The Audit Committee comprised exclusively the following Independent Non-Executive Directors:-

| Members   | Attendance |
|---|------------|
| Datuk Haji Abdul Rahman bin Mohd Ramli (Chairman) | 6/6        |
| Tan Sri Marzuki bin Mohd Noor                     | 6/6        |
| Ong le Cheong                                     | 6/6        |
| Ooi Teik Huat                                     | 6/6        |

The Audit Committee meets not less than four (4) times a year and twice with the internal and external auditors without the presence of the Management. The details of meetings attended, terms of reference and functions of the Audit Committee are described in the Audit Committee report set out on pages 58 to 61.

### ii. Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") comprised exclusively the following Independent Non-Executive Directors:-

| Members  | Attendance |
|--|------------|
| Dato' Syed Mohamad bin Syed Murtaza (Chairman) | 1/1        |
| Tan Sri Marzuki bin Mohd Noor                  | 1/1        |
| Ong le Cheong                                  | 1/1        |

The NRC meets at least once a year, and is responsible:-

- To consider, evaluate and recommend to the Board any new Board appointments of the Group;
- To recommend to the Board, Directors to fill the seats on Board Committees;
- To review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which Non-Executive Directors should bring to the Board and other qualities to function effectively and efficiently;

- To evaluate on an annual basis, the effectiveness of the Board as a whole, the Board Committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;
- To recommend to the Board whether Directors who are retiring should be put forward for re-election/reappointment at annual general meetings;
- To ensure an appropriate framework and plan for Board and management succession in the Group;
- To provide adequate training and orientation to new Directors as well as continuous training for all Directors during the year;
- To review Management's recommendation on appointment or promotion of Senior Management personnel of grade 11 and above;
- To review and ensure that the policy on Directors' fees for the Company are reflective of the contribution of each individual Director;
- To establish and recommend the remuneration structure and policy for Executive Directors and Senior Management of grade 11 and above; the terms of employment or contract of employment/service and any compensation payable on the termination of the service contract by the Company and/or the Group and to review changes to the policy, as necessary;
- To ensure that a strong link is maintained between the level of remuneration and individual performance against agreed KPIs with the performance-related elements of remuneration forming a significant proportion of the total remuneration package of the Executive Directors and Senior Management;
- To review and recommend the entire individual remuneration packages for each of the Executive Directors and Senior Management personnel of grade 11 and above including, where appropriate, bonuses and increments;
- To review with the Group Managing Director and the Executive Directors, their goals and objectives and to assess their performance against these objectives as well as their contribution to the corporate strategy;
- To advise on any major changes in employee benefits structure throughout the Company or Group;
- To review and recommend to the Board any employees' share option scheme; and
- To consider other matters as referred to the Committee by the Board.

Activities undertaken by the NRC during the financial year ended 31 March 2012 were as follows:-

- Conducted the assessment on the effectiveness of the Board and its Committees;
- Reviewed the training programmes attended by the Directors to ensure all Directors received appropriate continuous training;
- Reviewed the structure, size, balance and composition of the Board and its committees;
- Evaluated and recommended the nomination of Directors to the Boards of subsidiary and associated companies of the Group;

- Considered and recommended the Directors standing for re-election and reappointment to be tabled at Annual General Meeting;
- Reviewed the Management's recommendation on appointment of Senior Management personnel of grade 11 and above;
- Evaluated the KPIs and performance contract bonus for the Group Managing Director and Senior Management personnel of Grade 11 and above for the financial year ended 31 March 2011; and
- Reviewed and approved the annual increment and bonus for the financial year ended 31 March 2011.

### iii. Board Risk Committee

The Board Risk Committee ("BRC") comprised exclusively of the following Independent Non-Executive Directors:-

| Members                                  | Attendance |
|--|------------|
| Tan Sri Marzuki bin Mohd Noor (Chairman) | 2/2        |
| Datuk Haji Abdul Rahman bin Mohd Ramli   | 2/2        |
| Ooi Teik Huat                            | 2/2        |

The BRC meets at least twice a year, and is responsible:-

- To ensure that the strategic context of the risk management strategy is complete and takes into account the environment within which the Group operates and the requirements of all stakeholders and the Board of Directors;
- To ensure that a short and long term risk management strategy, framework and methodology have been implemented and consistently applied by all Companies/ Divisions;
- To determine the overall risk management processes that should be adopted by the Companies/Divisions and overseeing the development of appropriate guidelines and policies for implementation;
- To ensure that the risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the Board;
- To provide a consolidated risk and assurance reporting to the Board of Directors to support the statement relating to internal controls in the Company's annual report;
- To ensure alignment and coordination of risks and assurance activities across the organisation;
- To identify opportunities to release potential business benefits through the enhancement of risk management capabilities;
- To facilitate and review the development and implementation of improvements to simplify and enhance the effectiveness of the existing risk management system;

- To ensure effective assessment and monitoring of mitigating controls implemented to reduce the impact and likelihood of occurrence of identified risks; and
- To support the implementation of the risk management processes within the business units across subsidiaries and associated companies of DRB-HICOM.

Activities undertaken by the BRC during the financial year ended 31 March 2012 were as follows:-

- Ensured effective implementation and compliance of objectives outlined in the Group Risk Management Policy of DRB-HICOM;
- Ensured proper delegation of responsibilities to the Risk Management Committee for creating a risk-aware culture and building the necessary knowledge for risk management at every level of Management;
- Ensured the risk management processes of the Group are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business of the Group; and
- Reviewed and evaluated the Group's top key risks on a semi-annual basis.

## 1.11 Other Committees

In addition to the Board Committees, the Company has established at Management level two (2) other main Committees namely, Management Committee and Group Risk Management Committee headed by the Group Managing Director to assist the Board to fulfill its responsibilities.

### i) Management Committee

In relation to matters pertaining to the management and performance of the Group and its business including the operational aspects and strategic development of the Group, the Board has delegated certain responsibilities to the Group Managing Director, who is supported by a Management Committee ("MANCO"). The MANCO, comprising the Group Managing Director as Chairman and certain key Senior Management members, is responsible for formulating Company and Group policies for recommendation to the Board for consideration and implementing key policy decisions of the Board. The minutes of the MANCO meetings are submitted to the Board for notation.

### ii) Group Risk Management Committee

Management has established a Group Risk Management Committee ("Group RMC") to assist the BRC in identifying principal risks affecting the Group and to ensure that appropriate systems are in place to mitigate such risks so as to safeguard shareholders' investments and Group assets. The Group RMC is chaired by the Group Managing Director and comprises representatives from the respective divisions.

The Board through the BRC oversees the risk management activities of the Group. The Group RMC formulates relevant proposals on risk management policies and risk measurement parameters across the Group and makes appropriate recommendations to the Board for its approval upon endorsement by the BRC. The BRC is responsible for ensuring that the risk management framework in the Group operates effectively based on the policies approved by the Board. The Group RMC reviews and presents the identified risks to the BRC before submission to the Board on the key risks and action plans to mitigate the risks.

## 1.12 Directors' Remuneration

The objectives of the Group's policy on Directors' remuneration are to ensure that the Group attracts and retains Directors of calibre and integrity to run the Group successfully. In the case of Executive Directors, remunerations are structured so as to link rewards to corporate and individual KPIs. In the case of Non-Executive Directors ("NEDs"), the level of remuneration reflects the experience and level of responsibilities undertaken by the particular NEDs concerned.

The NRC is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the Executive Directors and Senior Management.

The Executive Directors abstain from deliberation and voting on decisions in respect of their own remuneration. The remuneration (excluding fees) of NEDs is decided by the Board as a whole.

Details of Directors' remuneration for the financial year ended 31 March 2012, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components, and the number of Directors whose remuneration fell into each successive band of RM25,000, are set out below:-

| Members  | GROUP            |                  |
|--|------------------|------------------|
|  | 2012             | 2011             |
| <b>Non-Executive Directors:</b>                    |                  |                  |
| - Fees   | 797,000          | 815,411          |
| - Attendance, other allowances & benefits          | 1,204,950        | 1,189,475        |
| <b>Executive Director:</b>                         |                  |                  |
| - Salaries, bonuses, allowances and other benefits | 7,542,686        | 5,622,420        |
| <b>Total</b>                                       | <b>9,544,636</b> | <b>7,627,306</b> |

| Directors' Remuneration*   | Executive | Non-Executive | Total    |
|----------------------------|-----------|---------------|----------|
| RM75,001 - RM100,000       |           | 2             | 2        |
| RM100,001 - RM125,000      |           | 1             | 1        |
| RM350,001 - RM375,000      |           | 2             | 2        |
| RM450,001 - RM475,000      |           | 1             | 1        |
| RM475,001 - RM500,000      |           | 1             | 1        |
| RM 7,525,001 – RM7,550,000 | 1         |               | 1        |
| <b>Total</b>               | <b>1</b>  | <b>7</b>      | <b>8</b> |

\* Remuneration paid to the Directors of the Company include fees, salaries, other emoluments including bonus, EPF contributions, attendance & other allowances and benefits-in-kind.

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, Item 11 of Bursa Securities Listing Requirements.

**a) Directors' Fees**

In 2006, the Company obtained a shareholders' approval via an ordinary resolution for the payment of Company's Directors fees not exceeding RM800,000 for each financial year effective 31 March 2006 onwards based on the recommendation of the Board. Hence, yearly payment of fees to the NEDs of the Company does not need shareholders' approval provided that the amount does not exceed RM800,000 per annum.

**b) Meeting Allowances**

All NEDs are paid the following meeting allowances as determined by the Board to reimburse them for expenses incurred for attendance at Board/Board Committee meetings and shareholders' meetings, which is inclusive of travelling and accommodation:-

| Type of Meeting       | Allowance Per Meeting RM |
|-----------------------|--------------------------|
| Board                 | 1,000                    |
| Audit Committee       | 2,500                    |
| Other Board Committee | 1,000                    |
| General Meeting       | 1,000                    |

**c) Remuneration of Group Managing Director**

The basic salary inclusive of statutory employer contributions to the Employees Provident Fund for the Group Managing Director is determined and approved by the Board, taking into account the performance of the individual, the consumer price index and information from independent sources on the rates of salary for similar positions in a selected group of comparable companies. Salary is reviewed annually by the NRC. The Group Managing Director abstained from deliberation of his remuneration at the Board meeting.

The adoption of the KPIs commenced during the financial year ended 31 March 2007, as part of the overall governance to enhance performance management, financial performance and shareholders' value of the Company. Following this, the KPIs were formulated based on two (2) main segments i.e. Corporate/Financial and Priorities. For the Group Managing Director and the Management Team, there was greater emphasis on sustainability of growth, underpinned by the relevant financial factors.

The performance-based bonuses are strictly tied to the achievement of their KPIs. The bonus formula is designed to promote additional effort and initiatives beyond the KPI targets. Performance assessments of these personnel together with the rewards due were rigorously undertaken at the Management and NRC levels with the Board making the final determination pursuant to the recommendations of the Committee.

**d) Remuneration of Key Senior Management Personnel**

The NRC as well as the Board ensure that the remuneration packages of Key Senior Management Personnel are sufficiently attractive to retain persons of high calibre in tandem with their respective contribution for the year. This would ensure that the Group's remuneration packages remain competitive and in line with the Group's corporate objective so as to safeguard the interest of the shareholders.

**e) Benefits-In-Kind**

Other customary benefits, such as use of company car, driver and handphone expenses/allowance were made available to the Chairman and Group Managing Director as appropriate.

**f) Terms and Conditions of Employment**

The Group Managing Director is employed on terms and conditions as approved by the Board.

## 2. SHAREHOLDERS AND INVESTORS

### 2.1 Dialogue between the Company and Investors

The Board values dialogue with investors and appreciates the keen interests of shareholders and investors in the Group's performance. The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group.

In line with the Company's Corporate Disclosure Policy, the Company is fully committed to maintaining transparency and accountability to all its shareholders and stakeholders through consistent disclosures of relevant and comprehensive information on timely manner to all investors including the minority shareholders.

The Company communicates with its shareholders and stakeholders on regular basis through timely release of financial results on a quarterly basis, press releases and announcements to Bursa Malaysia which provide an overview of the Group's performance and operations for investment decision making, through accessible channels. In addition, the Company initiates dialogues with its shareholders and stakeholders as and when required. Media coverage on the Group is initiated at regular intervals to provide wider publicity and improve the understanding of the Group's business.

### 2.2 General Meetings

General Meetings are the principal forum for dialogue with shareholders. The Annual General Meeting and Extraordinary General Meeting(s) provide opportunities for interaction amongst shareholders, Directors and management. The Company sends out the Notice of the Annual General Meeting and Annual Reports to shareholders at least twenty-one (21) days before the date of the meeting. Items of special business included in the notice of the meeting are accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved. Circulars to Shareholders together with the Notices of Extraordinary General Meeting are sent out to shareholders at least fourteen (14) days before the date of the meeting.

Besides the usual agenda for the Annual General Meeting, the Board presents a comprehensive review of the progress and business performance of the Group as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The Board of Directors, Senior Management and relevant advisers are available to provide responses to questions raised and give clarifications to the shareholders during these meetings.

The results of all the resolutions set out in the Notice of the General Meeting were announced on the same day via Bursa Link which is accessible on the website of the Company and Bursa Malaysia.

Any queries or concerns regarding the Group may be conveyed to the following persons:-

- i. Dato' Syed Mohamad bin Syed Murtaza  
Chairman/Senior Independent Non-Executive Director  
Tel : (03) 2052 7689  
Fax: (03) 2052 7696  
E-mail : symaidid@streamyx.com
- ii. Dato' Sri Haji Mohd Khamil bin Jamil  
Group Managing Director  
Tel : (03) 2052 8554  
Fax: (03) 2052 8654  
E-mail : khamil@drb-hicom.com
- iii. Dato' Sri Che Khalib bin Mohamad Nor  
Chief Operating Officer  
Finance, Strategy and Planning  
Tel : (03) 2052 8172  
Fax: (03) 2052 8799  
E-mail : ckhalib@drb-hicom.com
- iv. Chan Choy Lin, Carol  
Group Director Corporate Affairs/Company Secretary  
Tel : (03) 2052 7695  
Fax: (03) 2052 7696  
E-mail : cclin@drb-hicom.com

Both the Board Charter and Corporate Disclosure Policy of the Company are accessible through the website of the Company at [www.drb-hicom.com](http://www.drb-hicom.com).

## 3. ACCOUNTABILITY AND AUDIT

### 3.1 Financial Reporting

Pursuant to Bursa Securities Listing Requirements, the Directors are responsible to present a true and fair assessment of the Group's position and prospects through the quarterly reports, issuance of Annual Audited Financial Statements and corporate announcements on significant developments affecting the Group. This would ensure that shareholders are provided with a balanced and meaningful evaluation of the Group's performance.

The Board is assisted by the Audit Committee in scrutinising the financial statements and information for disclosure to ensure accuracy, adequacy and completeness. The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of DRB-HICOM and DRB-HICOM Group is set out on page 64 of this Annual Report.

### 3.2 Related Party Transactions

All related party transactions are reviewed by the Audit Committee to ensure compliance with Bursa Securities Listing Requirements and the appropriateness of such transactions before recommending to the Board for its approval.

With regard to recurrent related party transactions ("RRPTs"), the Board has established and adopted the appropriate procedures to ensure such transactions will be negotiated and agreed at an arm's length basis, and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company.

The significant related party transactions are set out under the Notes to the Financial Statements on page 223 of this Annual Report.

### 3.3 Relationship with External Auditors

The Audit Committee meets with the external auditors at least twice a year to discuss any issues arising from their audits without the presence of the Management. The external auditors also highlight to the Audit Committee and Board of Directors on matters that require the Audit Committee's or the Board's attention together with the recommended corrective actions thereof. The Management is held responsible for ensuring that all these corrective actions are undertaken within an appropriate time frame.

The role of the Audit Committee in relation to the external auditors may be found in the Report of the Audit Committee set out at pages 58 to 61. The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with Financial Reporting Standards ("FRSs"), Bursa Securities Listing Requirements and MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities.

The Audit Committee also reviews the proposed reappointment of the external auditors of the Company and their fees on annual basis to ensure that the independence of the external auditors is not compromised.

For the audit of the financial statements of DRB-HICOM and its subsidiaries for the financial year ended 31 March 2012, the external auditors of the Group have confirmed their independence in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

### 3.4 The Board had approved the above statement in accordance with a resolution of the Board of Directors dated 11 July 2012.

Signed on behalf of the Board of Directors



**DATO' SYED MOHAMAD BIN SYED MURTAZA**

# directors' statement on internal control

The Board of Directors ("Board") of DRB-HICOM Berhad affirms that its role lies at the very core of corporate governance. Hence, the Board's commitment towards ensuring and maintaining a sound system of internal control encompasses good governance and risk and control processes within the Group.

The Board also emphasises the importance of internal control system and risk management practices of the Group that should be responsive to a dynamic and ever challenging business environment to enable the Group to continuously achieve its goals and objectives.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility and accountability for the Group's system of internal control which includes the establishment of an appropriate control environment and framework. It is recognised that the Group's system of internal control can only provide reasonable but not absolute assurance against any occurrence of material misstatement or loss, and that the risk management process is designed to manage or minimise risks that hinder the Group from achieving its goals and objectives.

The Board confirms that there is a continuous process of reviewing and reporting of the adequacy and integrity of the Group's system of internal control and risk management process coupled with formulation and revision of policies & procedures and management of performance rendering the governance system of the Group as effective to provide reasonable assurance in safeguarding shareholders' investments, Group's assets and other stakeholders' interests.

## INTERNAL CONTROL

The key components of internal control as subscribed by the Group can be categorised as follows:

### 1) CONTROL ENVIRONMENT:

#### BOARD COMMITTEES

The Board acknowledges that ensuring sound governance requires effective interaction among the Board, Management, internal and external auditors. The Board, in ensuring effective discharge of its responsibilities, is assisted by the Board Committees namely the Audit, Nomination and Remuneration as well as Board Risk Committee. Each of the Committees has clearly defined terms of reference.

#### AUDIT COMMITTEE

The Audit Committee ("AC"), comprising of four Independent Non-Executive Directors, provides oversight of the internal and external audit processes and reviews the reports of the auditors on adequacy and integrity of the systems of internal control and the financial statements of the Group. The AC reviewed the engagements of the external auditors, their scope and approach in the conduct of the audit examination. The AC members also reviewed the activities and results of the audit conducted by the Internal Audit function.

The AC, consisting of members with wide range of knowledge, expertise and experience from different industry and background, has unrestricted access to internal and external auditors and all employees within the Group. Please refer to page 60 on the summary report on the activities of the AC.

## ORGANISATIONAL STRUCTURE & REPORTING LINE

There is a formal organisation structure with clear lines of reporting and responsibility to ensure proper segregation of duties, assignment of authority and accountability within the Group.

## VISION, MISSION AND SHARED VALUES

Management has established vision and mission statements, and shared values to steer and provide direction to the employees towards achieving the goals and objectives of the Group.

## ETHICS AND BUSINESS PRACTICE

The Group's Code of Ethics and Business Practice, which is communicated to all employees, outlines the standards of behaviours and ethics that are expected of employees of the Group. Additionally, all executives are required to declare their assets to the Group Managing Director and update it periodically, and to disclose any instance of conflicts of interests involving them.

### 2) RISK ASSESSMENT:

#### ENTERPRISE RISK MANAGEMENT

The Group has in-place an Enterprise Risk Management Framework with the aim of providing a consistent approach to risk and facilitating a reasonably accurate perception of acceptable risk by all employees. Risk management is continuously embedded within the system of internal controls and business environment. Managing risks is a shared responsibility and is integrated within the Group's governance, business processes and operations.

Employees' and management's commitment towards risk management process is constantly emphasized and reinforced via establishment of risk management committee, awareness workshops, seminars and group discussion together with the monitoring and facilitation exercise by the Risk Management Department. Group Internal Audit Division also complements the Risk Management Department by independently reviewing the adequacy and effectiveness of controls and action plans for the risks identified in the risk register. Please refer to pages 65 to 66 on summary elaboration of the Group's risk management process.

### 3) CONTROL ACTIVITIES:

#### POLICIES AND PROCEDURES

The Group has established policies and procedures to govern the various Group processes. This ensures consistency in practice whilst providing guidance and direction for proper management and governance of the operation and business activities within the Group.

Among the key policies and procedures in place are Human Resources, Information Technology, Communication, Procurement, Foreign Exchange, Risk Management, Code of Ethics and Business Practices, Management Control and Internal Control Framework, Whistle Blower and Anti-Fraud Policies. Policies and procedures are also subject to periodic review, revision, validation and approval.

The Group has also established the Limit of Authority (LOA) to provide a framework of authority and accountability within the organisation. The LOA sets the limits for strategic, capital and operational expenditure authorisations and is reviewed periodically and approved by the Board to ensure proper execution and its relevance.

#### WHISTLE BLOWER POLICY

The Whistle Blower Policy outlines the Group's commitment towards enabling employees to raise concerns in a responsible manner regarding any wrongdoing or malpractice without being subject to victimisation or discriminatory treatment, and to have such concerns properly investigated. The Policy promotes a culture of honesty, openness and transparency within the Group.

The Group encourages its employees to make any disclosure openly and honestly. All disclosures made under the Policy will be dealt with in strict confidence. It will be the task of the Group Internal Audit Division ("GIAD") or any other assigned investigating party to assess, investigate and report on the complaints or concerns raised.

#### BUSINESS PLANNING AND BUDGETARY

The Group manages performance of the operating entities, within which business strategies, planning and budgetary exercise are established annually and actual performance is monitored and assessed periodically against set targets.

#### CORPORATE RESPONSIBILITY

The Group aligns its undertaking on corporate responsibility initiatives with the Bursa Malaysia Corporate Sustainability Framework to provide focus, transparency and consistency in practices to deliver value to society and communities. Please refer to pages 108 to 115 on the Group's corporate responsibility updates.

### 4) INFORMATION AND COMMUNICATION:

Timely communication of relevant information such as the Group's achievements and changes with regard to corporate and organisational structure and policies and procedures, enabling employees to focus on and to perform their responsibilities effectively.

The Heads of operating entities within the Group also participate in business dialogue programs with Senior Management of the Group to discuss on strategies and challenges faced towards achieving the business goals and objectives.

### 5) MONITORING:

#### INTERNAL AUDIT FUNCTION

The business processes and conduct of the operating entities within the Group are continuously assessed by the GIAD in the context of adequacy and effectiveness of the financial, operational controls and risk management. The GIAD reported to the Audit Committee and addressed to the Management all the audit observations noted in the course of their review and followed up and monitored on the status of actions taken by the operating entities in addressing the audit observations.

Besides, the Management themselves, under the various corporate head office functions such as procurement and information technology also undertake periodically the reviews on compliances and adequacy of the control systems and procedures of the Group companies and operating units. Please refer to page 61 on the Statement on Internal Audit Function.

#### PERFORMANCE MANAGEMENT

In order to nurture the quality and competencies of employees, continuing education, training and development programs are emphasized to enable employees to discharge their duties effectively.

Progressively, employees' performances are measured according to the sets of key performance indicators aligned to their functions as assigned to them in which they are expected to accomplish.

### CONCLUSION

For the financial year under review, the Board is of the opinion that the system of internal controls and risk management processes are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of DRB-HICOM Berhad. There was no major internal control weakness identified that may result in any material loss or uncertainty that would require disclosure in this annual report.

This Statement on Internal Control has been prepared in line with the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Internal Control – Guidance for Directors of Public Listed Companies. The statement has been approved by the Board of Directors at its meeting on 11 July 2012.

# audit committee report

## AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of DRB-HICOM Berhad is pleased to present the Audit Committee Report for the financial year ("FY") ended 31 March 2012.

### 1.0 COMPOSITION AND ATTENDANCE AT MEETINGS

The composition of the Audit Committee (AC) members as well as their attendance at meetings is set out below:

|    | Director  | Status of Directorship             | Attendance at meetings |
|----|---|------------------------------------|------------------------|
| 1) | Datuk Haji Abdul Rahman bin Mohd Ramli<br>Chairman of the Audit Committee | Independent Non-Executive Director | 6 out of 6<br>(100%)   |
| 2) | Tan Sri Marzuki bin Mohd Noor<br>Member of the Audit Committee            | Independent Non-Executive Director | 6 out of 6<br>(100%)   |
| 3) | Mr Ong le Cheong<br>Member of the Audit Committee                         | Independent Non-Executive Director | 6 out of 6<br>(100%)   |
| 4) | Mr Ooi Teik Huat<br>Member of the Audit Committee                         | Independent Non-Executive Director | 6 out of 6<br>(100%)   |

#### 1.1 COMPOSITION

Conforming to the requirements of the Malaysian Code on Corporate Governance ("MCCG"), all the four members of the AC are Independent Non-Executive Directors.

The AC Chairman, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli and one of the AC members, Mr Ooi Teik Huat, are members of the Malaysian Institute of Accountants ("MIA") thereby complying with paragraph 15.09(1)(c)(i) of the Listing Requirements that requires at least one of the AC members fulfilling the financial expertise requisite.

#### 1.2 ATTENDANCE

In terms of attendance at the AC meetings, the quorum requirement for all six meetings held during FY 2011/12 as indicated in the table above was fulfilled. Management was also invited to brief the AC on the Group's financial performance and relevant corporate matters and to attend to any queries raised by the AC. The Head of Group Internal Audit Division ("GIAD") attended all AC meetings and presented the internal audit reports to the AC. Other than results and reports of internal audits, the Head of GIAD had also presented the summary of audit activities, internal audit plan as well as audit staff strength. The external auditors also attended AC meetings to present the audit scope and plan, and the auditors' report on the audited annual financial statements.

All issues discussed and deliberated during the AC meetings were minuted by the Company Secretary. Any matters of significant concern raised by the internal and external auditors have been conveyed by the AC to the Board.

### 2.0 TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee (AC) shall be established to assist the Board in fulfilling its oversight responsibilities. The AC shall review and ensure that the process of assessing risk, control and governance, including operational and financial controls, business ethics and compliance are properly managed and monitored.

#### 2.1 COMPOSITION

The following requirements are to be fulfilled by the Board in the appointment of the AC from among its members: -

- a. the AC must be composed of no fewer than three (3) members, the majority of whom must be Independent Non-Executive Directors;
- b. the Chairman of the AC shall be appointed by the Board from among the Independent Non-Executive Directors and at least one member of the AC must be a member of the Malaysian Institute of Accountants or must have at least three (3) years' working experience and;
  - i) must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - ii) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- c. Alternate Directors shall not be appointed as a member of the AC; and subject to any regulatory disqualification, members of the AC shall not be removed except by the Board.
- d. In the event of any vacancy in the AC, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event the Board shall review the term of office and performance of the AC and each of its members at least once every three (3) years.

## 2.2 MEETINGS AND ATTENDANCE

The quorum for all meetings of the AC shall not be less than three (3), a majority of whom shall be Independent Non-Executive Directors. The Chairman shall chair all meetings and in his absence, another Independent Non-Executive Director shall chair it.

- a. Meetings shall be held not less than four (4) times a year and the Group Managing Director (GMD), Head of GIAD and other invitees shall, by invitation, attend the meetings. The Chairman of the Board or Head of Operating Units, may be invited to attend as and when required by the AC to provide vital insights to the Company's operations.
- b. The external auditors are normally invited to attend meetings as and when necessary for their expertise.
- c. The AC shall meet separately with the internal and external auditors at least twice a year without the attendance of the Management.
- d. The Company Secretary shall be the Secretary of the AC and shall provide the necessary administrative and secretarial services for the effective functioning of the AC. The draft minutes shall be circulated to the AC members for comment and the signed minutes shall be tabled at the subsequent Board Meeting.

## 2.3 AUTHORITY

The Board has empowered the AC to:-

- a. investigate any activity within the scope of the AC's duties and its terms of reference and shall have full and unrestricted access to any information or documents relevant to the AC's activities;
- b. obtain independent legal or other professional advice as necessary;
- c. communicate directly with the external auditors, internal auditors and all employees of the Group;
- d. have adequate resources to perform its duties as set out in its terms of reference; and
- e. make recommendations for improvements of operating performance and management control arising from internal and external audit recommendations.

## 2.4 RESPONSIBILITIES AND DUTIES

The functions of the AC have been expanded to include matters specified in the Malaysian Code on Corporate Governance as follows: -

- a. **RISK MANAGEMENT AND INTERNAL CONTROL**  
Ensure that Management has in place an adequate system of risk management and internal control to safeguard shareholders' interests and the Company's assets.

## b. FINANCIAL REPORTING

Review the annual and quarterly financial results of the Group focusing on, among others, financial disclosures, changes in accounting policies and practices and compliance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bursa Malaysia Main Market Listing Requirements.

## c. INTERNAL AUDIT

In respect of the internal audit function: -

- i. to review the adequacy of the scope, functions, competency and resources of the GIAD and to assess whether it has the necessary authority to carry out its responsibilities with regards to the annual audit plan;
- ii. to review internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the GIAD;
- iii. to review any appraisal or assessment of the performance of the Head of GIAD as well as approve the appointment or termination of senior staff members of the GIAD; and
- iv. to discuss any issues from the audits with the Head of GIAD separately without the presence of Management.

## d. EXTERNAL AUDIT

With regards to external auditors: -

- i. to review and consider the appointment, resignation or termination of external auditors and their audit fee;
- ii. to discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure coordination where more than one audit firm is involved;
- iii. to review with the external auditors the audit plan, their evaluation of the systems of internal accounting controls, their audit report and the assistance given by the Company's officers to the external auditors;
- iv. to review the quarterly and year-end annual financial statements before submission to the Board and announcements to the Bursa Malaysia Securities Berhad, focusing particularly on: -
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bursa Malaysia Main Market Listing Requirements and other legal requirements; and

- to convene meeting at least twice a year on any issues from the audits, with the external auditors separately without the presence of Management.
  - v. to review the external auditor's Management Letter and Management's response.
- e. OTHER RESPONSIBILITIES
- i. to instruct the external and internal auditors that the AC expects to be advised if there are any areas that require their special attention including major findings of internal investigations and Management's response;
  - ii. to review any related party transactions that may arise within the Company or Group in complying with the Listing Requirements;
  - iii. to review any allocation of share options pursuant to the Employees' Share Option Scheme ("ESOS") granted to employees in the Group; and
  - iv. to consider and examine any other matters as the AC considers appropriate or as instructed by the Board of Directors.

### 3.0 SUMMARY OF ACTIVITIES

The following activities were carried out by the AC during the FY 2011/12 in accordance with the terms of reference of the AC:-

#### 3.1 FINANCIAL RESULTS, FINANCIAL STATEMENTS AND ANNOUNCEMENTS.

The AC reviewed the unaudited quarterly and annual financial results of the Group for FY 2011/12. This also includes the announcements pertaining to the release of financial results to Bursa Malaysia prior to recommending to the Board for approval. The review also focuses on any changes to accounting policies and practices, significant audit adjustments, going concern assumptions and compliance to financial reporting standards and other regulatory requirements.

#### 3.2 RISKS AND CONTROLS

The AC evaluated overall adequacy and effectiveness of the systems of internal controls through review of results of work performed by internal and external auditors and discussions with the Management. The AC also reviewed the Statement on Internal Control and Statement on Corporate Governance prior to inclusion in the Company's Annual Report.

#### 3.3 EXTERNAL AUDIT

- a. The AC deliberated with the external auditors the results of audit of the annual audited financial statements and their Report to the Audit Committee and the responses by the Management at its meeting;
- b. The AC reviewed the Audit Plan with the external auditors encompassing their terms of engagement, audit scope and proposed fees for the statutory audit and the review of the Directors' Statement on Internal Control for FY 2011/12;

#### 3.4 INTERNAL AUDIT

- a. The AC reviewed and approved the GIAD's Annual Internal Audit Plan and ensure principal risks and key entities and functions were adequately identified and covered in the plan.
- b. The AC also reviewed the internal audit reports presented by GIAD at each AC meeting and GIAD's activities with respect to:
  - Status of audit activities as compared to the approved Annual Audit Plan,
  - Results of scheduled, follow-up, investigative and special audits,
  - Adequacy of Management responsiveness to the audit findings and recommendations,
  - Status of Internal Audit's Quality Assurance and Improvement Programme,
  - Adequacy of audit resources, training and development of staff within GIAD.

#### 3.5 RELATED PARTY

The AC reviewed the Group's procedures in respect of recording recurrent related party transactions ("RRPT") and the propriety of proposed related party transactions to ensure compliance to Bursa Malaysia Main Market Listing Requirements (MMLR) and that they were not favorable to the related parties than those generally available to the public and were not detrimental to minority shareholders.

#### 3.6 OTHERS

The AC members attended relevant mandatory accreditation and continuing education programmes during the financial year under review. AC members also attended training and visited various subsidiaries within the Group to acquire a better insight into related businesses and operations. The training attended focuses on subject matters on corporate governance best practices, corporate sustainability and risk management.

#### 4.0 STATEMENT ON INTERNAL AUDIT FUNCTION

##### 4.1 ROLES AND RESPONSIBILITIES

The Group Internal Audit Division (GIAD) is an integral part of the assurance structure of the Group. The Division's primary responsibility is to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance process. However, those Group companies which are listed, or governed by the Banking and Financial Institutions Act, 1989 or regulated by Bank Negara Malaysia are under the purview of the respective AC and internal audit function of the company and financial institutions.

The Head of GIAD reports directly to the Audit Committee (AC) on functional basis and to the Group Managing Director administratively. The Head of GIAD periodically reports on the activities performed and key control issues noted by the internal auditors to the Audit Committee. The purpose, authority and responsibility of GIAD are reflected in the Internal Audit Charter which is approved by the Audit Committee.

In order to maintain its independence and objectivity, GIAD has no operational responsibility and authority over the activities it audits. In determining the adequacy of audit scope and coverage, GIAD applies a comprehensive audit planning of Group's auditable entities and functions by performing risk analysis and ensuring adequate resources in performing the audit.

##### 4.2 AUDIT RESOURCES

The Head of GIAD is assisted by 5 internal audit managers, 21 other internal auditors and 1 audit administration personnel, making up the GIAD's staff strength to 27.

The AC approves the GIAD's annual audit plan, financial budget and human resource requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

During the FY 2011/12, a total of RM2.8 million was incurred as part of resource allocation for the Group's internal audit function, covering mainly on manpower and incidental costs such as traveling and training costs.

GIAD also invested in various training programmes to maintain and enhance the desired competency level of the Group's internal auditors. The training programme, comprising of in-house organised and externally sourced training, focuses on functional and developmental needs of the internal auditors.

##### 4.3 AUDIT ACTIVITIES

GIAD adopts a risk based approach as part of its audit planning and execution focusing on significant identified risks and effectiveness of the controls mitigating the risks. Activities of the internal audit function include review of adequacy and effectiveness of internal controls and risk management, compliance to applicable laws and regulation, reliability and integrity of information and adequacy of safeguarding of assets.

During the FY 2011/12, the GIAD executed a total of 89 audits, which comprised of scheduled and ad-hoc audit engagements including special and investigation audits covering auditable units under Automotive and Defence, Manufacturing and Engineering, Property, Asset & Construction and Services sectors, and its related branch operations. All of the internal audit activities in the financial year under review were undertaken in-house by the GIAD. None of the components of the internal audit function were outsourced to external service providers.

All findings resulting from the audits were reported to the AC, the Senior Management and the relevant Management of operating units. The Management of the operating units audited is accountable to ensure proper handling of the audit issues and implementation of their action plans within the timeframe specified. Actions taken by the operating units audited were followed up by GIAD and the status updated in the subsequent audits.

##### 4.4 QUALITY MANAGEMENT SYSTEM

The GIAD continues to maintain its Quality Assurance and Improvement Program covering its internal audit processes through the ISO 9001:2008 Quality Management System, which is subject to an in-house quality audit and external annual surveillance assessment by a certification body.

The GIAD is also subject to an external quality assessment review by a qualified independent assessor once every five years as required by the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The external quality assessment review by a qualified independent assessor was last conducted in 2007 and in this regard GIAD generally conforms to the IIA's International Professional Practice Framework.

# additional compliance information

## UTILISATION OF PROCEEDS

On 31 October 2011, the Securities Commission approved the establishment of the Sukuk Programme of up to RM1.8 billion and the approved utilisation of funds is shown as below:

|                 | Approved<br>Amount<br>RM mil | Amount<br>drawdown<br>as at 31<br>March 2012<br>RM mil | Balance<br>RM mil | Comments  |
|-----------------|------------------------------|--|-------------------|---|
| Sukuk Murabahah | 1,800                        | 1,570  | 230               | The Sukuk were utilised to pay for the acquisition of PROTON Holdings Berhad and also for working capital purposes. |

Other than described on page 63 during the financial year, there was no other financing raised by the Company during the year which required the approval of Securities Commission.

## SHARE BUYBACKS

During the financial year, there were no share buybacks by the Company.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options, warrants or convertible securities during the financial year.

## AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

## VARIATION IN RESULTS

The Company did not release or announce any profit estimate, forecast or projection during the financial year under review.

## PROFIT GUARANTEE

During the financial year, there was no profit guarantee issued by the Company.

## RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

During the financial year ended 31 March 2012, the Company and its subsidiary companies had not exceeded the threshold of 1 percentage ratio as prescribed in the Chapter 10.9 of the Listing Requirements issued by Bursa Securities. As a result, the Company did not seek any shareholders' mandate for Recurrent Related Party Transactions.

## MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, there were no material contracts between the Company and its subsidiaries involving directors' and majorshareholders' interest either still subsisting at the end of the financial year or, if notthen subsisting, entered into since the end of the previous financial year:

- (i) Operations and Maintenance Agreement between Rangkaian Positif Sdn. Bhd., now known as HICOM Power Sdn. Bhd. ("HPSB"), and Tanjung Bin Power Sdn. Bhd. ("Tanjung Bin") dated 25 July 2003 supplemented by supplemental agreements dated 4 August 2003 and 17 October 2003 ("O&M Agreement").

Pursuant to the O&M Agreement, HPSB is to provide operation and maintenance services ("Services") to the power plant owned by Tanjung Bin comprising three (3) coal-fired generating units with a total capacity of 2,100 MW, located in the State of Johor ("Tanjung Bin Power Plant") which generates electricity to be sold to Tenaga Nasional Berhad based on a concession period of twenty five (25) years ("Term"). For the period from 1 April 2010 to 31 March 2011, the Services rendered by HPSB for the Tanjung Bin Power Plant had amounted to RM285,395,916.

HPSB is a 100% subsidiary of the Company.

- (ii) Subcontract of Operations and Maintenance Agreement between Teknik Janakuasa Sdn. Bhd. ("TJSB") and HPSB dated 12 October 2004 ("The Subcontract O&M Agreement").

Pursuant to the Subcontract O&M Agreement, HPSB has subcontracted a part of its scope of works under the O&M Agreement ("Subcontract Services") to TJSB. For the period from 1 April 2010 to 31 March 2011, the Subcontract Services rendered by TJSB to HPSB for the Tanjung Bin Power Plant has amounted to RM126,921,679.

The Company acquired 100% beneficial equity interest in HPSB from Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor ("TSSM") on 22 October 2008. TSSM also holds 90% equity interest in Etika Strategi which is a major shareholder of the Company.

- (iii) Land Status Swap Agreement between Rebak Island Marina Bhd("Rebak")and Northern Gateway Free Zone Sdn. Bhd. ("NGFZ") dated 21 Dec 2011 ("Land Status Swap Agreement").

Rebak is proposing to develop a high end mixed development in Pulau Rebak Besar. However, the undeveloped land is having restriction of 'Malay Reserve' ("MR") status.

Pursuant to the Land Status Swap Agreement, parties have agreed to convert the MR land to non-MR land subject to the conditions imposed by Kedah State Government. The status swap was done by swapping the status of Rebak's undeveloped MR land with the status of NGFZ's freehold land located in Kubang Pasu, Kuala Muda and Kulim. The consideration to be paid to NGFZ is RM76,000,000.00 as amount of settlement.

Rebak is 100% subsidiary of the Company.

Save as disclosed below, none of the directors, major shareholders of Rebak and/or DRB-HICOM and/or persons connected with them has any interest, direct or indirect, in the Proposed Land Status Swap.

Ahmed Kamil P M Mustafa Kamal ("AKMK") holds 1 preference share in NGFZ and is a director in Northern Gateway Sdn. Bhd. and Benua Bayu Sdn. Bhd. which are the holding company and intermediate holding company of NGFZ respectively. AKMK was a shareholder in HICOM Power Sdn. Bhd. ("HPSB") prior to the completion of acquisition of HPSB by DRB-HICOM on 30 October 2008. AKMK then held 1 ordinary share of RM1.00 each in HPSB in trust for Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor ("TSSM"), being the other shareholder in HPSB. As such, AKMK is deemed a person connected to TSSM.

As at 30 November 2011, TSSM indirectly holds 55.92% equity interest in DRB-HICOM by virtue of his deemed interest through Etika Strategi Sdn. Bhd. ("Etika") in accordance with Section 6A of the Companies Act, 1965. In view of the above, Etika is deemed interested in the Proposed Land Status Swap by virtue of TSSM. Hence, Etika will have to ensure that persons connected to it (if any) will abstain from deliberations and voting at the relevant board meetings of DRB-HICOM in respect of the Proposed Land Status Swap.

Dato' Sri Haji Mohd Khamil bin Jamil ("DKMJ") is the Group Managing Director of DRB-HICOM and a director and shareholder of Etika. He is deemed a person connected to TSSM. In view of this, DKMJ has abstained and will continue to abstain from deliberations and voting at the relevant Board meetings of DRB-HICOM in respect of the Proposed Land Status Swap.

Tan Sri Marzuki bin Mohd Noor ("TSMMN") is a common Director in DRB-HICOM and NGFZ as well as a member of the Audit Committee of DRB-HICOM. He has abstained and will continue to abstain from deliberation and voting at the relevant Audit Committee and Board meetings.

**SANCTIONS AND/OR PENALTIES IMPOSED**

No sanctions and/or penalties were imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 March 2012, save for road traffic offences, if any.

**STATEMENT ON REVALUATION POLICY**

The Group does not have any revaluation policy.

**NON-AUDIT FEES**

The amount of non-audit fees paid/payable to the external auditors and their affiliated companies by the Group for the financial year ended 31 March 2012 are as follows:

|   | RM'000 |
|---|--------|
| Ernst & Young                           | 1,330  |
| Ernst & Young Tax Consultants Sdn. Bhd. | 421    |
|   | 1,751  |

# statement of directors' responsibility

## **Statement of Directors' Responsibility in respect of the preparation of the Financial Statements for the financial year ended 31 March 2012**

The Directors are required by the Companies Act, 1965 ("the Act") to ensure that the financial statements prepared for each financial year give a true and fair view of the financial position of the Group and the Company as at the end of the financial year and of the financial performance and cash flows of the Group and the Company for the financial year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, modified by the accounting policies as set out in the Bank Negara Malaysia Guidelines for banking and insurance subsidiary companies and Shariah principles for a banking subsidiary company of the Group.

The Directors consider that in preparing the financial statements for the financial year ended 31 March 2012 set out on pages 122 to 240, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and ensured that all applicable approved accounting standards have been followed.

The Directors have ensured that the accounting records kept by the Group and the Company have been properly kept in accordance with the provisions of the Act, which disclose with reasonable accuracy the financial position of the Group and of the Company.

This Statement is made on behalf of the Board in accordance with a resolution of the Directors dated 11 July 2012.

# risk management

## OVERVIEW

Risk Management is regarded by the Board of Directors and Management of DRB-HICOM Berhad as an important and effective tool in identifying, assessing and mitigating key risks arising from the changing economic and business landscape.

DRB-HICOM Berhad remains highly focused and committed towards embedding the culture and practices of risk management throughout all aspects of the Groups businesses in achieving operational excellence without compromise to its core values. In ensuring good corporate governance towards optimizing long-term stakeholder returns, the Group is and shall remain vigilant towards uncertainties impacting the business environment, from changes in regulatory and financial requirements, to technological advancements as well as on issues relating to human capital resourcing, development and retention.

## STRENGTHENING RISK MANAGEMENT CAPABILITIES

### Managing Exposures to Economies and Business Uncertainties

The current Eurozone financial crisis and deceleration of global economic growth, compounded with the on-going social unrest in the Middle East, represents a key concern to DRB-HICOM Berhad in its quest to expand its business interests within the regional and global markets.

The Group recognizes the impact of global uncertainties towards medium and long-term business sustainability and performance, and has therefore adopted prudent, responsible and transparent governance, risk and compliance approach to ensuring continued resilience and agility in undertaking existing and new business initiatives. The Group strengthens its governance aspect of business transactions through detailed and thorough reviews of policies, processes and internal controls implemented across all business sectors and operating units.

Whilst emerging technologies and innovation offers new business opportunities and enhances operational efficiencies, these factors presents challenges to risk management in the form of data security and increased global competition.

In this respect, DRB-HICOM Group continues to strengthen its risk management capabilities under the ambit of the Group Risk Management Policy to undertake proactive identification, assessment and management of emerging key risks. It is the Group's policy to ensure that controls and action plans developed are reviewed and validated on a periodic basis to ensure that they remain relevant and effective in mitigating the risks identified.

### Managing Volatility in FOREX and Interest Rates

DRB-HICOM Berhad is constantly exposed to foreign exchange (FOREX) and interest rate fluctuations due to the nature of business transactions that it undertakes. In mitigating the risk of adverse FOREX volatility impacting profitability and performance, a Group Foreign Exchange (FOREX) Policy has been put in place stipulating key methodologies in utilizing appropriate

hedging instruments to assess, manage and minimize foreign currency losses. The Policy is deployed to all business sectors and operating units within the Group for effective implementation and monitoring.

Notwithstanding the above, the Group is equally mindful of changes in interest rate movements that will adversely affect revenue and profit contribution, particularly from the automotive and property markets. In this respect, appropriate detection mechanisms have been put in place to monitor and alert Management of such changes so that prompt measures can be initiated and acted upon expediently.

### Reinforcing Funding Capabilities

Funding is a key risk to DRB-HICOM Berhad due to the extensive amount of capital required to finance new acquisitions and to mobilize existing and new projects. Concern in this area rests primarily on our ability to secure the requisite financing due to the imposition of single customer limit, breach of funding covenants set by financial institutions and down grade of ratings by credit agencies arising from our increased financial commitments to the banks.

The Group manages its funding risk exposures by maintaining an optimal capital structure as well as through comprehensive monitoring of detailed financing and cashflow plans established by business sectors and operating units within the Group.

Constant engagement is carried out between Corporate Finance & Treasury Division, together with the business units and financial institutions to track the status of financing, which comprise, amongst others, the issuance of corporate medium term notes and bonds, as well as drawdowns on syndicated loans and club deals.

Notwithstanding the above, the Group is constantly seeking new funding arrangements to further boost its financial capabilities towards driving new project initiatives in line with its long-term strategic business plan.

### Beefing Up Human Capital Capabilities

Human capital risks stand out as one of the key concerns faced by the business sectors and operating units within DRB-HICOM Group. These risks, which are related to loss of key personnel, skills shortages and succession issues, threaten the sustainability and performance of companies within the Group.

The Group's approach in managing human capital risks is through the implementation of the talent review sessions, the Position Description Questionnaires and Job Descriptions. These programs define the job accountabilities and align talent management efforts with the goals and objectives of the Group.

Also, Group Human Capital has formulated and deployed various initiatives, such as, talent attraction through local, regional and international career fairs and roadshows, workshops and clinics on skills profiling and knowledge development trainings as well as coordinated employee retention reviews with business sector representatives to provide a holistic human capital management approach.

## Enhancing the Brand & Image of DRB-HICOM Group

The Group acknowledges the severity of reputation risks towards eroding image and brand visibility. The notion of reputational damage arising from events reflected from negative media and publicity about the Group's business practices, conduct or financial condition will adversely impair stakeholders confidence, resulting in costly litigation and decline in customer base, business and revenue.

In mitigating reputation risks, the Group carries out regular engagement sessions with stakeholders to disseminate relevant information regarding the conduct of the Group's activities.

Compliance checks and audits are regularly performed to enforce the implementation of the Group's Code of Ethics & Conduct and Whistle Blowing Policy to curb incidences of fraud across all business sectors and operating units.

To further offset risks to the Group's reputation, ongoing enhancement towards the brand and image of the Group is performed through various Corporate Responsibility (CR) programs organized by the Corporate Affairs Division. Details of these initiatives are noted on pages 108 – 115 in the Annual Report.

## RISK COMMITTEES

The Board Risk Committee ("BRC") has a broad mandate to ensure the effective implementation and compliance of the objectives outlined in the Group Risk Management Policy of DRB-HICOM Berhad. The members of the BRC comprise three (3) Independent, Non-Executive Directors, with the Group Managing Director, Head, Internal Audit Division and Head, Risk Management Division attending as invitees to the Committee.

The main underlying principles of the Group's Risk Management Policy are:

- Providing a policy and organizational structure for the management of risks that DRB-HICOM assumes in its activities;
- Defining risk management roles and responsibilities within the organization and outlining control procedures to mitigate risks;
- Ensuring consistent and acceptable management of risk throughout the business;
- Defining a reporting framework to ensure effective communication of necessary risk management information to senior management and personnel engaged in risk management activities;
- Remaining flexible to accommodate the changing risk management needs of the organization while maintaining control of the overall risk position;
- Detailing the approved methods for risk assessment; and
- Providing a system to accommodate the central accumulation of risk data.

The BRC of DRB-HICOM Berhad delegates to the Risk Management Committee ("RMC") the responsibility for creating a risk-aware culture and building the necessary knowledge for risk management at every level of management. The RMC shall also be responsible for ensuring the effective implementation of the Group Risk Management Policy, Framework and the management of risks and controls associated with group operations as well as compliance to applicable laws and regulations. The RMC is responsible for periodical reporting of key risk exposures to the BRC.

The composition of the RMC shall comprise the Group Managing Director, Group Directors of the Business Sectors, together with Heads of the relevant Divisions as invitees.

## RISK MANAGEMENT FRAMEWORK

The Group has in place a formal and structured Risk Management Framework developed in accordance with the COSO Enterprise Risk Management-Integrated Framework established by the Committee of Sponsoring Organizations of the Treadway Commission, USA. The framework essentially outlines the risk management governance and structure, processes, accountabilities as well as responsibilities throughout the organization. The inculcation of a robust risk culture and understanding across the entire organization is crucial. It links the Group's corporate objectives and goals to its primary risks, controls and action plans to allow for a comprehensive and effective assessment of events that have adverse impacts on the Group's core businesses.

## ACCOUNTABILITY FOR RISK MANAGEMENT

Each Sector (and each operating unit therein) is ultimately responsible for managing the key risks associated with its business and investments. All material and significant risks shall be identified, assessed, analyzed, treated, monitored and reported in accordance with the Group Risk Management Policy and Framework outlined above.

The Head, Risk Management Division regularly and periodically conducts workshops and briefings to Divisions within the Corporate Office, Business Sectors and the Operating Units to facilitate and improve on the awareness of risk management as well as to inculcate the risk culture within each of the prescribed entities to strengthen their risk management oversight and process.

## RISK REPORTING

The Group's Risk Management Policy and framework provide for regular review and reporting. Such reports include an assessment on the significance of key risks impacting the Group's businesses as well as an evaluation of the effectiveness of controls and action plans put in place for additional controls. The key elements of the reporting process are:

- Review and discussion of key risks, controls and action plans at the Operating Units' monthly management meetings;
- Editing and updating of key risks, controls and status of action plans on a periodical basis;
- Digital confirmation and sign-off on all risks represented at the Divisional, Sectoral and Operating Unit levels on a quarterly basis;
- Quarterly presentation and review of the Risk Management Board Paper at each of the Operating Units' Board of Directors meetings;
- Presentation, review and discussion of the Sector's Top Key Risks by the RMC on a quarterly basis; and
- Presentation of the Group's Top Key Risks to the BRC as well as at the Main Board Meeting on a semi-annual basis.

# code of ethics and business practice

DRB-HICOM is committed to maintain the highest standard of conduct at workplace. This aspiration is exemplified through the adoption of the Code of Ethics and Business Practice (COEBP) since 2006 which serves as employees formal commitments to conduct themselves professionally at all times and do business in a transparent, appropriate and fair manner.

COEBP is intended to convey to both employees and parties doing business with DRB-HICOM that ethical principles should not be compromised in any circumstances.

Formulated comprehensively, it outlines the employees' conduct with the Company, customers, principals, vendors, dealers, suppliers, contractors and other external parties in undertaking business engagements fairly and professionally as well as being impartial with full compliance to all laws and regulations.

The COEBP is integral to the Terms and Conditions of Service. It is an instrument for sound governance and healthy employment. It explains and elaborates the responsibilities and accountabilities of employees at all levels, principals, vendors, dealers and suppliers/contractors to comply with the COEBP and prohibits all practices which are unethical and undesirable.

It also constitutes the employment values that employees are expected to preserve while in service with DRB-HICOM, and which are aligned to the Company's corporate culture. It illustrates the Company's shared values covering elements of Integrity, Decorum, Innovation, Excellence, Transparency, Teamwork and Quality.

The COEBP serves to assist all employees in living up to the Company's high ethical business standards and appropriate conduct at the work place while performing their daily duties for DRB-HICOM.

In ensuring full observation by all parties, the Company provides dedicated channel for whistle-blowing on any violations of the COEBP with strictest confidence guaranteed.

In short, COEBP is considered an agreement that binds and guides employees on how to conduct themselves with full professionalism and integrity in building strong ethical culture that promotes the distinctive core values of DRB-HICOM.

# Chairman's Statement

DEAR SHAREHOLDERS,

I am delighted to present the Annual Report of DRB-HICOM Berhad (DRB-HICOM or the Group), for the financial year ended 31 March 2012 (FY 2012), on behalf of the Board of Directors.

“Our expansion plans during the year took shape and set us on a new direction of change and possibilities.”

While FY 2011 was a landmark year for us that saw the culmination of the Group's First 5-Year Plan and forms part of our transformation journey, FY 2012 was a new beginning, with progressive strategies, new revenue streams in priority sectors and most importantly, a performance-driven approach. Group revenue rose by 1.09% during the year under review to record RM6.88 billion, while Profit Before Tax grew to RM1.52 billion. Our positive output is a result of our business model, built on sustainable pillars of the Automotive and Services sectors. Our commendable performance won us a position with The Edge Billion Ringgit Club 2012 as the Highest Profit Growth Company (Highest Growth in Profit Before Tax Over Three Years – Industrial Products Sector). Such positive

results are due to our business model, which has been built on sustainable pillars of the Automotive and Services sectors.

Also, our successful bids for a 32.21% stake in Pos Malaysia Berhad (Pos Malaysia) and a controlling stake of 42.74% in PROTON Holdings Berhad (PROTON), which has been increased to 100% subsequent to the financial year, have placed us in a very steadfast position. Both acquisitions opened up new possibilities to expand the length and breadth of our services locally and abroad. In our journey of transformation, both Pos Malaysia as well as PROTON will play paramount roles in providing opportunities for organic growth.



**DATO ' SYED MOHAMAD BIN SYED MURTAZA**  
Chairman

# chairman's statement

Overall, FY 2012 was very significant for our corporate positioning as we grew stronger with the commitment of our rich talent pool, underpinned by our perseverance to continually seek opportunities for growth and our motivation to deliver results. Today, I can confidently say that our brand has gained more strength and resilience to withstand the competitive local and international markets through profitable ventures and initiatives.

FY 2012 aptly conveys this year's report theme - 'Sensing Potential, Seizing Opportunities'. As Malaysia is fast pacing to emerge as a developed economy, it is important for businesses and entrepreneurs alike to realise true potential of markets, innovative products and services, which will give a new impetus to excel forward. DRB-HICOM is in its growth mode, where every opportunity is deemed a blessing, towards achieving new potential or optimising the current capabilities. We continually explore new ways to expand, new markets to grow, and new products and services to introduce. The theme reflects what is inherent in our work culture at DRB-HICOM.

With unwavering support of our dedicated team members, as well as our dynamic Management, DRB-HICOM continues to operate in accordance with the principles of good governance and

transparency; promising healthy growth and long-term profitability.

## OPERATING ENVIRONMENT

While Malaysia is recognised as an advanced emerging market in the region, the World Economic Forum Global Competitive Index 2011-2012 ranked us the second most competitive nation in the ASEAN region (Bursa Malaysia 2011 Annual Report). This reflects the dynamic potential of our markets as well as the growth opportunities they can represent. To ride on this wave, at DRB-HICOM, we are prepared to re-engineer our growth strategies, restructure our operating models, and reposition our brand as well as our value proposition internally, to emerge as a competent national and regional player. Within the domestic perimeter, we need to deliver economic value through our business activities by leveraging on our experience and expertise as well as inherent potential, skills, talent, and technology towards achieving indigenous growth for the organisation and ultimately, the country.

In FY 2012, the operating environment and the economic situation posed many challenges, but as an organisation geared for growth, we managed the opportunities while demonstrating resilience and strong leadership.

## CURRENT POTENTIAL, FUTURE GROWTH

Despite the domestic market forces and global challenges in FY 2012, we have demonstrated fairly on various performance parameters in all our core sectors. Our expansion plans during the year took shape and set us on a new direction of change and possibilities. Going forward, we will attempt to achieve a balance between our Automotive and non-Automotive sectors both in terms of their individual revenue contributions and business achievements.

## AUTOMOTIVE SECTOR

The story of PROTON is one that is of national pride and the potential for a fast developing economy such as Malaysia to build on its own capacity and deliver homegrown brands of excellence. Our strategic move to acquire PROTON has called for the need to revisit our branding strategies as well as the possibility to unify the distributorship to strengthen our position in the marketplace. We are ready to reclaim PROTON's leadership in the local market by building up the volume, and gradually enhancing our position in the regional and international markets. There may also be a need to consolidate our assembly units for cost effectiveness at a point when we achieve economies of scale.

Our collaboration with partners such as Mercedes Benz, Mitsubishi, Volkswagen AG (VWAG), Honda, Suzuki, Isuzu and Audi offers another opportunity for us to reorganise component manufacturing to upscale our offerings and capacity.

## SERVICES SECTOR

Our Services sector is a significant contributor to DRB-HICOM's performance and plays a critical role in balancing the overall Group portfolio. Central to this strategy is our acquisition of the stake in Pos Malaysia that holds promises of expanded reach as well as new markets. In mid-2012, we established greater synergies to enhance the working relationship between Pos Malaysia and Bank Muamalat, to also introduce the Islamic pawn broking services Ar-Rahnu through the vast network of outlets of Pos Malaysia. Such synergies will help us increase our presence by identifying and tapping new opportunities in the form of new demographics and markets.

# chairman's statement

In FY 2012, KL Airport Services Sdn. Bhd. (KLAS) continued to report high performance on the back of increased number of customers, flight frequencies, cargo tonnage and terminal charges, among others. Similarly, Alam Flora Sdn. Bhd., even though adversely affected by the loss of its service concession from the Selangor Government, has entered into a concession agreement with the Federal Government to undertake solid waste collection and public cleansing management covering the federal territories of Kuala Lumpur, Putrajaya and the state of Pahang for 22 years.

## PROPERTY, ASSET & CONSTRUCTION (PAC) SECTOR

Our PAC sector continues to hold high potential for growth, with land banks in strategic locations, including in the southern economic growth corridor of Iskandar Malaysia (Iskandar) in Johor. Over approximately 1,500 acres of land we secured in Iskandar, a new township named Glenmarie Heights will soon emerge as a location of choice for residential enclaves and corporate offices for investors and for companies operating within the region.

While we continue to drive high-value development blueprints across Peninsular Malaysia, our overall strategy for PAC is to deliver quality homes, catering to the varied lifestyles and needs of Malaysians across segments and demographics.

## HUMAN CAPITAL DEVELOPMENT

In pursuing our growth aspirations, we never fail to recognise our employees as our partners in success. Our bigger responsibility has been to nurture and build our pool of talent and resources to manage our growing businesses. We remain committed to the professional and personal development of our people through various career enrichment programmes and policies, including training opportunities and capacity-building initiatives.

Towards this, the DRB-HICOM Group training centre @theAcademy in Port Dickson, Negeri Sembilan that was officially opened in June 2012, initiated structured technical and soft skills training programmes for human capital development. Similarly, the International College of Automotive (ICAM) in the royal town of Pekan, Pahang which was established in 2010, completed the first phase of its University Village.

Going forward, we will endeavour to create more such opportunities for growth of our high-potential staff and management, across levels and sectors.

## CORPORATE DEVELOPMENTS

In continuing our journey, we have achieved many milestones along the way, even within a challenging external environment. Two of the most important milestones towards realising new growth are our acquisitions of PROTON and Pos Malaysia.

PROTON is the first national automotive brand, which also owns an international brand Lotus, an iconic name known for its top-class performance and design. This not only makes us proud to be associated with the brand but motivates us to chart out new successes for PROTON. One of the challenges that we are happy to meet is to reclaim the leadership and fame of PROTON, alongside repositioning Lotus as a premium and credible brand. We see immense opportunities to devise new competitive strategies for both the brands.

Likewise, Pos Malaysia has the opportunity to see beyond mail delivery and leverage its formidable network to deliver value-added services to the sub-urban and rural communities at affordable prices.

## FINANCIAL REVIEW

In keeping with the momentum from FY 2011, DRB-HICOM Berhad reported a positive balance sheet, with positive performance indicators in FY 2012. This only reflects the strength of our Group's business model in sustaining results year-on-year.

The total Group revenue was recorded at RM6.88 billion, which is a 1.09% increase compared to last year. The key contributing factors for our positive performance included our robust growth plans and strategies as well as the collective contributions of RM4.06 billion and RM2.56 billion by the Automotive and Services sectors respectively. Our profits continue to rise owing to our meticulous planning, which in turn allows us to manage our risks as well as strategies that complement our business interests.

@theAcademy Port Dickson, Negeri Sembilan structured technical and soft skills training programmes for human capital development





Glenmarie Gardens high-end villa development



KLAS catering provides full in-flight catering meal services to various airlines

As at 31 March 2012, DRB-HICOM's market capitalisation stood at RM4.87 billion, an increase of 9.56% over last year's financial year-end figure. Over the same year, the net asset per share rose to RM3.19 from RM2.58. With the acquisition of Pos Malaysia and PROTON, the Group's total assets as at the financial year-end stood at RM39.8 billion against RM28.3 billion the previous year.

#### PERFORMANCE & DIVIDENDS

For the year under review, all our profit centres have reported positive results and projections through improved efficiencies and business sustainability. Our two-pronged approach will be to focus on near-term objectives without losing sight of long-term goals for sustainable growth and profitability.

The Board has proposed, subject to the shareholders' approval, a final dividend of 4 sen per ordinary share subject to taxation of 25% in respect of the financial year ended 31 March 2012.

Towards continually delivering shareholder value, the Board has put in place a healthy Dividend Policy with a pay-out target ranging between 20% and 30% of the operational net profit, in keeping with the performance year-on-year.

#### ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my sincere appreciation to our valued shareholders for their trust and association with us. I also take this opportunity to thank all our partners in growth to include our customers and business associates among others. I extend my sincere gratitude to the authorities and regulatory bodies, who continue to recognise our role in delivering efficient and effective services to the public. I also wish to thank my fellow Board members for their wise counsel and guidance during the year under review and to note special contributions by the senior management team as well as the employees of DRB-HICOM.

#### WAY FORWARD

We are well into the Second 5-Year Plan and I am sure, all of us will endeavour in our efforts with the same zest for knowledge, learning, achievements and growth. The important thing to remember is to sense our real potential and seize every opportunity in sight to make our journey as meaningful and as successful as ever.

I thank all of you.

**DATO' SYED MOHAMAD BIN SYED MURTAZA**  
Chairman



**DATO' SRI HAJI MOHD KHAMIL BIN JAMIL**  
Group Managing Director

# group managing director's review of operations

At DRB-HICOM, we raise our bar of performance year-on-year with a view to achieve near-term goals and also ensure business growth and sustainability in the longer term. This strategy is deemed critical and relevant considering the nature of our diverse yet integrated businesses.

The year under review witnessed various challenges, with many local industries' developments hampered by global economic downtrends. Nevertheless, it was a year that we demonstrated resilience and empowered our resources with robust processes to achieve the desired results. While we continue to report healthy and consistent balance sheets, we never lose sight of the need to redefine and enhance our performance matrix. This is to ensure we strengthen our non-monetary dimensions such as compliance, frameworks of corporate governance and transparency, as well as human capital development, which are significant attributes towards building a sustainable business and improving efficiencies.

Although the Automotive and Services sectors experienced some constraints which affected their individual financials and bottom-lines, nevertheless, they still delivered credible performances. This was made possible through various business improvement measures and initiatives which the company had been undertaking.

The year under review witnessed some unprecedented and unfortunate events such as the tsunami in Japan and extreme floods in Thailand, which jeopardised the supply of components and completely knocked down (CKD) kits mainly to our Honda plant, adversely impacting our automotive business for almost six months.

# group managing director's review of operations

Locally, Bank Negara revised its auto financing loan approval process and credit controls which subsequently changed the dynamics of the market. With this development in place, we have provided alternative arrangements for our customers in order to ensure sales and revenue continue to grow. These include the introduction of MyLease, a new vehicle leasing and fleet management service that was launched in February 2012 under Edaran Otomobil Nasional Berhad (EON).

Similarly, in our Services sector, Bank Muamalat Malaysia Berhad (Bank Muamalat) operates in a challenging and highly competitive market, with diverse financial product and service offerings to discerning consumers. In fulfilling one of the key objectives as laid out under the Financial Sector Blueprint (2011-2020), we hope to improve the length and breadth of services of the Bank by leveraging on the formidable network and reach of Pos Malaysia Berhad (Pos Malaysia). Despite its on-ground challenges, Bank Muamalat reported RM893.5 million in revenue which is an 8.8% increase from FY 2011.

In the Property, Asset & Construction (PAC) sector, we put our focus on producing high-quality homes to cater to the needs of the various market segments. Our projections for the PAC sector are positive, with its revenue expected to grow and make a significant impact to Group revenue in the next five years. Our long-term aspiration is to emerge as a credible and best-in-class property developer in Malaysia.

Looking forward into the future, it is important that we exercise care and caution whilst exploring new business territories and opportunities. Managing risk is an important agenda at DRB-HICOM. It is vital that we continuously complement our Automotive business in terms of both revenue and PBT with non-Automotive income. With more than 80 active companies in our stable, we recognise that integrated diversification should continue to be our strategy, so that our long-term goals are preserved and safe-guarded.

## THE STORY OF TRANSFORMATION & GROWTH IN FY 2012

As they say, the sum of all parts is greater than the whole; our transformation journey and growth are incomplete without the mention of the key contributors or the pillars that keep the foundation of our business robust, with a promise of enhancing stakeholder and shareholder value through asset creation and increased investor confidence.

### PROTON Holdings Berhad (PROTON)

In the last financial year, we successfully acquired a controlling stake of 50.01% in the national car-maker PROTON. On 26 June 2012, DRB-HICOM completed the 100% acquisition of PROTON shares. With PROTON, we now have an automotive brand to champion, along with its subsidiary's brand Lotus, and an established platform with expertise and experience to strengthen our presence in the international markets such as South East Asia, Australia, the United Kingdom and the Middle East. There is a whole new potential and huge opportunity for us to 'think global growth' with PROTON, while focusing on critical aspects of quality and service excellence.

PROTON plant in Shah Alam



"In the Second 5-Year Plan (FY 2012 – 2016), we aim to extend our growth trajectory and continue to strengthen our position within Malaysia and selected markets in the region as we scale greater heights of success and enhance shareholder value."



Sorting activity at mail processing centre

#### Pos Malaysia Berhad (Pos Malaysia)

Pos Malaysia is now a member of the DRB-HICOM Group with our acquisition of 32.21% stake from Khazanah Nasional Berhad in July last year. Our stake in Pos Malaysia is strategic in terms of leveraging the ubiquitous postal reach and presence throughout Malaysia to expand and deepen our existing markets. With more than 5,800 touch points across the country including 1,200 postal outlets offering a plethora of postal and its related services and some 4,600 stamp vendors, Pos Malaysia's reach is unsurpassed by any other.

Synergising both Pos Malaysia and Bank Muamalat, Pos Ar-Rahnu Sdn. Bhd. has been set up to offer a syariah-based Islamic Pawnbroking service, ArRahnu@POS. The first phase roll-out will see at least 50 outlets offering ArRahnu@POS service by the end of FY 2013. The year under review also saw Pos Malaysia establishing a strategic partnership with Uni.Asia Group for the distribution of motor insurance through more than 700 postal outlets nationwide and the introduction of POS Hayat insurance, an affordable life insurance for the public.

Opportunities remain abundant for us to tap on Pos Malaysia's network in extending our insurance, logistics and supply chain services among others. Our vision is to create new streams of revenue and profit centres, and achieve new scales of business in the country.

#### Volkswagen AG (VWAG)

In December 2010, we entered into a strategic collaboration with the global brand VWAG to establish a CKD assembly plant for Volkswagen cars in Pekan, Pahang. The production of the VW Passat 1.8 TSI started in October last year and the vehicles were rolled out in March 2012. By 2014, we aim to assemble the cars for the ASEAN market.

#### REALISING MORE POTENTIAL UNDER THE SECOND 5-YEAR PLAN

During the First 5-Year Plan, we were able to increase the Group's revenue from RM2.91 billion to RM6.88 billion as we evolved into a stronger and more resilient entity. In the Second 5-Year Plan (FY 2012 – 2016), we aim to extend our growth trajectory and continue to strengthen our position within Malaysia and selected markets in the region as we scale greater heights of success and enhance shareholder value. Our strategy will be to optimise our current potential, while taking into account the changing industry landscape and business dynamics, as we seize new opportunities for organic growth, and mergers and acquisitions.

# group managing director's review of operations

Beyond the robust Automotive and Services sectors, efforts are underway to optimise our capacity in the PAC sector. With its high-potential land banks, this sector is expected to make a significant contribution to Group revenue over the next five years and beyond.

Among projects being planned include the Jalan Tun Razak development, which will feature a mix of offices, and service and hotel apartments. This development is set to be another iconic landmark in Kuala Lumpur's changing skyline. In our efforts towards sustaining business and profitability, the Group has also invested in long-term developments to include the new township of Glenmarie Heights covering approximately 1,500 acres in Iskandar Malaysia - the economic growth corridor in the southern state of Johor.

## PRIORITISING QUALITY HUMAN CAPITAL DEVELOPMENT

At DRB-HICOM, our human capital development strategies are two-fold; firstly, to support the growth aspirations of the Group and secondly, to complement the growing need for building the capacity and talent pool for both the industry as well as the nation. Hence, while growing our businesses, we acknowledge the need to focus on optimising our 'people potential', which is the key to our organisational success.

Our Second 5-Year Plan incorporates inclusive strategies which will help instil a sense of pride and achievement in our employees - making them our partners in growth. One of the approaches is to encourage a shared sense of responsibility and achievements through opportunities for learning and systematic career advancement.

To meet such goals, we established two institutions to nurture talents and improve competencies. @theAcademy - a DRB-HICOM Group training centre built on 5.8 acres of land in Port Dickson, Negeri Sembilan - offers structured technical and management development programmes for our employees, in a learning-conducive environment, complete with accommodation and training facilities.

University Village



Similarly, in helping to grow national talent for the automotive industry, we established the International College of Automotive (ICAM) in 2010. At the end of July 2012, ICAM had a total enrolment of 818 students. In FY 2012, we completed the first phase of its University Village. By next year, we are targeting to complete the first phase of its main campus. With these achievements, we will endeavour to secure an upgrade to University College status for ICAM during the Second 5-Year Plan period.

#### GOVERNANCE FOR IMPROVED EFFICIENCIES & PERFORMANCE

Our priority as a Group has always been to gradually improve our corporate positioning and brand equity, in keeping with our long-term vision. Towards this, we seek opportunities to adopt and strengthen frameworks of governance, in order to augment productive relationships with our key stakeholders. Among the mechanisms put in place to spur new growth include the following.

#### HICOM Management System (HMS)

In keeping with international best practices, in August 2011, the Group adopted HMS which is a proactive and systematic structure for management to improve planning, coordination and implementation of company-wide activities. The HMS is guided by uniform standards, policies and processes, which in turn help to increase our quality, efficiency, productivity and overall delivery.

The HMS defines and regulates decisions pertaining to various administrative, operational and business matters. Among others, the HMS includes an online Small Group Activity (SGA) consisting of Innovative Creative Circle (ICC) and Quality Improvement Team (QIT), Autonomous Maintenance (AM) and Employee Suggestion Scheme (ESS).

#### Q-Radar Risk Management System

As a responsible public-listed company, we continue to act in the best interests of our shareholders and stakeholders by being risk-averse or risk-conscious while exploring and implementing blue-ocean strategies. In FY 2012, the Group also implemented a standardised group-wide Risk Management System through the Q-Radar System. The system aggregates and consolidates key risks on a real-time basis from across the organisation into a single window-view. The system supports real-time monitoring of risks as a result of various decisions across levels and divisions of the Group, thus empowering the leadership to take corrective steps and measures.

DRB-HICOM was also awarded the Q-Radar Hall of Fame Award last year in recognition of our remarkable efforts and progress in the implementation of Enterprise Risk Management, resulting in a significant improvement in risk culture and ownership.



# group managing director's review of operations

## ACKNOWLEDGEMENTS

DRB-HICOM recorded many accomplishments during the year under review. We owe our successes to our various stakeholders who continue to support us, whether directly or indirectly, in our endeavours, as we fulfil our Mission to lead in the growth of the nation in the areas of our core businesses; and as we scale greater heights, moving closer towards our Vision.

I would like to take this opportunity to express my sincere appreciation to all *Warga* DRB-HICOM for their loyalty, commitment and dedication, but more so, for believing in our potential for positive transformation and progress, whilst embracing and upholding our Corporate Values in the conduct of our business activities, the very values that form the pillars for our continued progress and sustainability.

Above all, I would like to accord a special thanks to our Chairman and the Board of Directors for their strategic direction, wise counsel and timely inputs in pursuing our goals. I also acknowledge the continuing support and association of our partners, financiers, business associates, and the Government and its various agencies and regulatory authorities, who have played a crucial role in supporting our various functions. Most importantly, I take special privilege in acknowledging the trust and confidence vested in us by our ever growing base of customers and shareholders.

## WAY FORWARD

FY 2012 was indeed a year of trials and challenges. Nevertheless, it is our belief that we should never rest on our laurels and always strive to improve ourselves and to aim higher. Such

determination gives us the thrust to always go for excellence as we leverage on our potential as our strength and the motivation, to create a sustainable success story, not only for all our *Warga* DRB-HICOM but also our shareholders and ultimately, the Nation.

At DRB-HICOM, it is our basic tenet that our Human Capital agenda coupled with a strong sense of Governance and Risk Management form the cornerstones of a good organisation. Moreover, a strong leadership which is based on good ethics and values provides the edge for our workforce to march towards the same direction. Integrity, Decorum and Transparency are values that drive our professionalism as entrepreneurs as well as business partners. These are the guiding principles which govern the way we do business as we work towards a win-win situation with all parties that we deal with.



Part of DRB-HICOM Automotive Complex, Pekan

It is also my belief that a business entity is as strong as the people who carry the work processes which in turn, deliver the results. Hence, a workforce that is built on the foundation of teamwork, innovation and quality will safeguard performance and ultimately, translate into business opportunities, revenue and profitability.

Whilst these values support our corporate goals, we at DRB-HICOM also take cognisance that as a responsible Corporate Citizen, we must 'prosper thy neighbour', henceforth our Corporate Responsibility gives priority towards enhancing the quality of life of the communities we operate in as well as protecting the environment that provides us the grounds for our operations.

Having these vital foundation in place, DRB-HICOM is poised for greater growth. We can only get better and grow from strength-to-strength in our endeavours, while sustaining our efforts to deliver shareholder value; whilst not compromising on our Values to ensure that we continue to chart our progress and growth in a sustainable manner.

Let us continue to walk together and take every leap that leads to progress, but with caution. It is important to plan ahead and always monitor and assess economic conditions and risks for course-correction at appropriate junctures of our business. Most importantly, we must all remain positive and as Steve Jobs once said, 'Stay Hungry, Stay Foolish' for more opportunities and more growth.

Thank you.



**DATO' SRI HAJI MOHD KHAMIL BIN JAMIL**  
Group Managing Director







# automotive

## sector



# automotive sector

“ The Automotive sector contributed 59% of our Group revenue, with potential to emerge as a leader in Malaysia, and with opportunities to tap the export markets towards building a sustainable business.

”

Precision robotic MIG welding of bracket cross anchor assembly





PROTON Edar showroom

DRB-HICOM has a strong portfolio in the Automotive sector, supported by experienced resources, profitable partnerships and ambitious growth plans. With the recent acquisition of PROTON, the sector gained new impetus with huge potential to deliver organic growth in the coming years. In FY 2012, the sector contributed RM4.0 billion or 59% of the total Group revenue, with Profit Before Tax (PBT) of RM265 million or 17% higher compared to last year. Moving forward, it will be crucial to further develop our infrastructure, upgrade the quality of after-sales services and undertake extensive Research and Development (R&D) to promote homegrown brands internationally.

#### **AUTOMOTIVE DISTRIBUTION**

**Honda Malaysia Sdn. Bhd. (Honda Malaysia)** saw a strong performance of completely built up (CBU) vehicles primarily from hybrid vehicle models, which helped to balance the crippled production capacity of completely knocked down (CKD) vehicles due to hampered supply after the natural disasters in Japan and Thailand last year. However, the Company registered a PBT of RM113 million during the year under review. February 2012 saw the opening of a new spare parts warehouse in Bukit Jelutong, Selangor; replacing the old Port Klang warehouse which will improve spare parts turnaround in the Klang Valley, the largest market region in Malaysia.

**Edaran Otomobil Nasional Berhad (EON)** generated revenue of RM1.3 billion and PBT of RM36 million. In the year under review, EON sold a total of 23,393 units of PROTON vehicles, and serviced 332,057 units of vehicles. Overall, EON's performance improved by 2% year-on-year, based on the PBT figure on the back of steady sales of PROTON vehicles driven by improved sales of the Inspira and Exora models that made up for 19% of total sales, up from 16% recorded last year.

EON also merged its Customer Relationship Management and Customer Care in April 2011 to establish the Total Quality Management unit under its After Sales department. This helped to achieve service excellence through refined processes and introduction of Service Outlet Evaluations certification programme. DRB-HICOM leasing Sdn. Bhd., a wholly-owned subsidiary of EON successfully established a leasing business which is expected to contribute sizeably to the Group's revenue.

**Euromobil Sdn. Bhd. (Euromobil)**, the distributor of Audi vehicles, sold 1,020 units in FY 2012, which is an increase of 37% from the previous year's sales of 745 units. This is a record achievement in the company's history. The growth was a result of its strong product range that included several new models and its list of accolades that helped boost the image and sales of Audi.

# automotive sector



Launching of locally-assembled Can-Am SPYDER Roadster

**Mitsubishi Motors Malaysia Sdn. Bhd. (Mitsubishi Motors Malaysia)**, the importer and distributor of Mitsubishi vehicles in Malaysia, introduced new variants last year to include the upgraded ASX and Pajero, ASX Special Edition, Lancer Sportback RA Edition, Triton RA Edition, Pajero Sport VGT and Triton VGT. In light of these new launches, the company recorded a total volume of 22,048 units during the year under review. Mitsubishi Motors Malaysia also registered the first fully electric car in Malaysia, the Mitsubishi i-MiEV (Mitsubishi innovative Electric Vehicle).

**Automotive Corporation (Malaysia) Sdn. Bhd. (ACM)** is the sole distributor of light-duty trucks marketed under the brand name of HICOM Perkasa and is also the franchise holder and distributor of Isuzu medium and heavy-duty trucks. With more than 30 years' experience in the business supported by a network of 6 full-fledged 3S centres in strategic locations, ACM has strong market presence and customer base. As such, the company is well-poised to tap the fleet market for retail, corporate or government agencies. For FY 2012, ACM achieved a sales turnover of RM190 million. ACM's business strategy is also focussed on after-sales services, offering fleet maintenance packages for fleet operators to optimise vehicle operations cost and secure best value from their investments.

**Suzuki Malaysia Automobile Sdn. Bhd. (SMA)** sold a total of 7,620 units of vehicles during the year under review, which is an increase of 7% over last year's performance. Swift CKD was the best-selling model that made up for 73% of total sales. With the introduction of two new models Kizashi SDLX and SPORT 2.4L CVT, SMA expanded its line-up beyond the small car segment to the D-segment category of the automotive market or the sporty and elegant sedan segment.

**USF-HICOM (Malaysia) Sdn. Bhd. (USF-HICOM)**, the sole distributor of a range of vehicles from Mahindra & Mahindra Limited, India, launched SUV models during the year - Mahindra Scorpio 2.0 Petrol 4X2 (manual), Mahindra Scorpio 2.5 Diesel 4X4 (manual) and Mahindra Scorpio 2.2 Diesel 4X4 (auto). USF-HICOM also unveiled the much awaited locally-assembled Bombardier Recreational Products (BRP) Can-Am SPYDER Roadster, which was officially launched by Malaysia's Minister of Defence, YB Dato' Seri Dr Ahmad Zahid Hamidi in February 2012.



**Isuzu Malaysia Sdn. Bhd. (Isuzu Malaysia)** undertakes the import, assembly, marketing and distribution of Isuzu D-max pick-up trucks of both CKD and CBU models. The company secured positive response for the light-duty N-Series trucks launched last year and gained significant inroads into the commercial vehicle market, commanding a respectable third position in the overall sales charts. A total sales of 9,830 units was achieved during the year under review.

**PROTON Holdings Berhad (PROTON)**, the latest acquisition by the DRB-HICOM Group in FY 2012, fetched us a negative goodwill equivalent to RM971.52 million which reflects the value of net tangible assets acquired and potential sustainable strategies. During the year under review, our untiring efforts to enhance our quality management systems, our processes and engineering capabilities helped sustain the performance of PROTON.

For FY 2012, product improvement and introduction of models such as Saga FLX, Saga FLX SE, Exora Bold and Exora Prime have enabled PROTON to sell a total of 148,854 units. With that, PROTON has captured 26% market share. As a result, the existing key product range especially with the entry of new models i.e. Saga FLX, Exora Bold and Exora Prime captured 23% of the domestic market. In addition, the introduction of the Exora models into the international markets such as Thailand and Indonesia had also contributed to the overall revenue.

**Motosikal Dan Enjin Nasional Sdn. Bhd. (MODENAS)** introduced two new models during the year under review – MR 1 and ACE 115 – which helped boost its overall sales to 58,622 units, with a total export volume of 6,323 units. With the

positive feedback and response from the market, MODENAS is expected to achieve an annual sales target of 68,260 units for FY 2013, comprising of 60,000 units of domestic sales and 8,260 units for export.

**DRB-HICOM Auto Solutions Sdn. Bhd. (DHAS)** is the logistics and Pre-Delivery Inspection (PDI) facilitator for import and export activities representing nine major marques within the Group, namely Audi, VW, Honda, Mitsubishi, Isuzu, Suzuki, Mahindra, BRP and Potenza. During FY 2012, DHAS recorded a revenue of RM157.4 million, which represents a 94% increase from the previous financial year.

**DEFENCE**

With the commencement of 8x8 Armoured Wheeled Vehicle (AV8) contract in FY 2012, DRB-HICOM Defence Technologies Sdn. Bhd. (DEFTECH) has aggressively embarked on the design, manufacturing and testing of demonstrator vehicle systems. In this initiative, DEFTECH worked closely with the Government and its Technology Partners to spur the Local Defence Development Programme. DEFTECH has a long-term vision of becoming a credible armoured vehicle manufacturer, through the creation and acquisition of Intellectual Property (IP) rights in vehicle design and building capabilities in system integration.

DEFTECH, through its subsidiary, Defence Services Sdn. Bhd. (DSSB) has strengthened its position in Maintenance, Repair and Overhaul (MRO) for armoured vehicle and the refurbishment of Scorpion and Stormer tanks.

MODENAS showroom



ADNAN ACV-300 Infantry Fighting Vehicle (IFV 12.7mm)





Coordinate measurement of Instrument Panel Assembly

In the commercial vehicle business, DEFTECH had successfully completed the fabrication and supply of 150 city buses for RapidKL and also completed the custom fabrication jobs for Medium Recovery Trucks for the Royal Malaysian Army. In November 2011, DEFTECH was awarded the ISO 9001:2008 certification for the assembly, fabrication, MRO and spare parts supply of armoured vehicles.

During the Langkawi International Maritime & Aerospace Exhibition (LIMA) last year, DEFTECH also achieved a significant milestone when DRB-HICOM and Saab AB, Sweden signed an Industrial Cooperation Teaming Agreement to forge a collaboration in a bid to supply Airborne Early Warning and Control System for the Royal Malaysian Air Force.

#### MANUFACTURING & ENGINEERING

**PHN Industry Sdn. Bhd. (PHN)** is a Tier 1 stamping vendor specialising in metal-based automotive components. PHN recorded sales of RM254 million for the year under review. PHN's business includes mass production of PROTON's key models; New Saga Facelift, Exora CFE and Preve, in addition to aggressively participating in localisation programmes with Volkswagen Group Malaysia (VGM), Suzuki Malaysia Automobile (SMA) and Honda Malaysia (HM). PHN is the pioneer in ERP LN implementation for DRB-HICOM manufacturing companies and E-HR system implementation to improve operational efficiency.

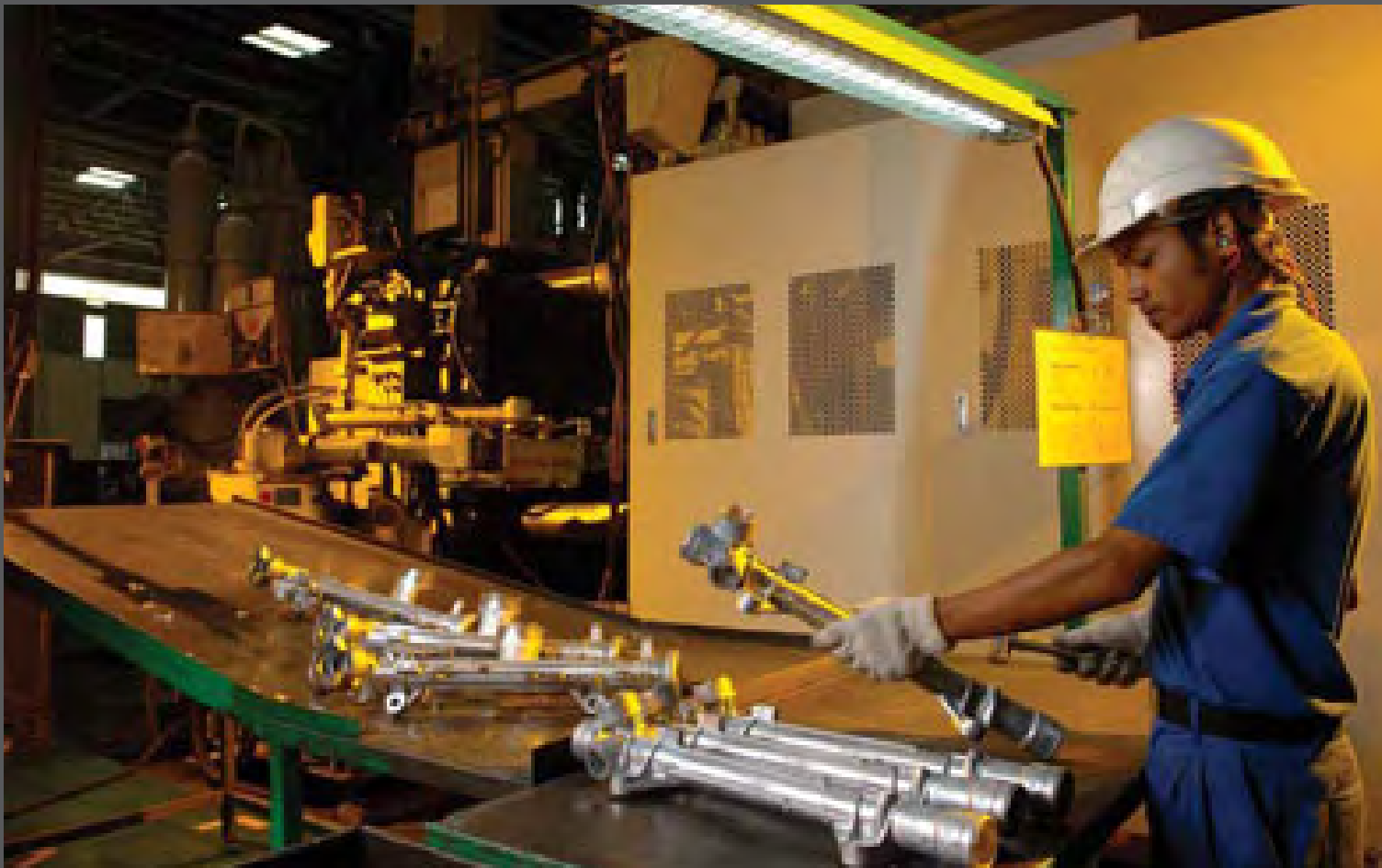
**HICOM-Teck See Manufacturing Malaysia Sdn. Bhd. (HTS)** continues to forge progressively ahead as the country's largest OEM plastic automotive vendor with core products ranging from instrument panels, door trims, bumper fascias, door brackets to class-A surface painted and chrome plated products. For the year under review, HTS recorded sales of RM339 million. HTS has been successful in securing a new non-automotive project with Alam Flora Sdn Bhd for the supply of mobile receptacles for the national solid waste management. Adding to HTS sustainability, the newly commissioned chroming plant has also phased in which enables HTS to expand its customer range to include Toyota Saudi Arabia. A major technical milestone for HTS was the acquisition of the Jenoptik Airbag Laser Scoring machine which is one of the only two machines available in Malaysia to produce seamless airbag technology on instrument panels.

**HICOM Diecastings Sdn. Bhd. (HDSB)** supplies high and low pressure diecasting components to automotive and non-automotive OEMs and motorcycle engine assemblers for local and international market. HDSB's international customers include White-Rodgers (USA), ZF LLC (USA), Heka Dental (Denmark), Eglin (Finland) and PT. Astra Daihatsu (Indonesia). For the year under review, the company recorded RM98 million in revenue.

# automotive sector

“ Manufacturing & Engineering is pivotal to the growth and sustainability of the overall Group business strategy. We continue to thrive amidst a competitive environment by focusing on offering world-class products and services for international brands. ”

Aluminium diecasting of Steering Housing



**Oriental Summit Industries Sdn. Bhd. (OSI)** is the main chassis component manufacturer for Front Lower Arm, Rear Axle Suspension and Lever Parking Brake for key automotive OEMs such as PROTON, Perodua, Volvo and Toyota. The company was successful in securing Alam Flora Municipal Hygiene Equipment and Machinery contract via ACM, thus expanding OSI's business portfolio. For the year under review, OSI recorded sales of RM163 million.

**HICOM Automotive Manufacturers Malaysia Sdn. Bhd. (HAMM)** assembles the Mercedes-Benz C, E and S Class series, Fuso, Actros and bus chassis as well as the Suzuki Swift for the respective franchise holders. During the year, HAMM commenced production of Suzuki Swift facelift and Volkswagen Passat, with sales of 12,263 units. HAMM produced the 5,000th unit of Mercedes-Benz model in December 2011.

**ISUZU HICOM Malaysia Sdn. Bhd. (IHM)** recorded total revenue of RM364 million. IHM's core products, the light duty and heavy duty ISUZU trucks have achieved sales of 4,765 units or 34.7% market share and 70 units or 4.6% market share respectively. During the year, IHM commenced the pilot productions of new variants

ISUZU 729 N-Series High Power Engine under Light Duty segment and ISUZU 700P F-Series under Heavy Duty segment. IHM continues to practice Global Customer Audit (GCA) in order to constantly improve quality and achieve high levels of customer satisfaction.

**HICOM-HONDA Manufacturing Malaysia Sdn. Bhd. (HHMM)** maintained its leadership position in the motorcycle engine market, testified by credible industry awards and accolades. HHMM's new models include KVFJ engine for EX5 variant and KWBK engine for WAVE110 DASH. During the year, HHMM recorded total sales of 235,300 units and achieved nearly 46% of the market share. Revenue for the year was RM282 million, inclusive of RM15 million export sales.

**HICOM-YAMAHA Manufacturing Malaysia Sdn. Bhd.'s (HYMM)** principal activities are manufacturing and assembly of Yamaha motorcycle engines and parts. HYMM sold 158,900 units of engine for the year under review. New engine development has commenced during this period with mass production targeted for December 2013 and estimated revenue of RM74 million per annum.

Vehicle body assembly





Part accuracy measurement process

# automotive sector

## WAY FORWARD

In light of the National Automotive Policy (NAP) and based on information from the Malaysian Automotive Institute (MAI), further liberalisation of the sector could come soon, including opening up of manufacturing licences for cars with lower engine capacity. This will create new market segments and new potential for car manufacturers. The extension of tax incentives for hybrid and electric cars to December 2013 under Budget 2012 will also help to promote greater demand for energy efficient and eco-friendly vehicles.

While the 'Guidelines on Responsible Financing' introduced by Bank Negara Malaysia affected sales volume, the future prospects of the sector rest on conservative grounds, with various economic and environmental factors impacting its performance. A possible slowdown in the local economy due to the financial turmoil in the Eurozone could be among the factors.

The task at hand is to continually manage the risks through consolidation and expansion, and by adopting prudent hedging policies.

All our companies will focus on enhancing individual brands in an integrated manner, also building capacity to improve sectoral performance and achieve greater competitiveness. For instance, HAMM will look at the opportunities to expand its CKD production to include new VW models such as Jetta, Polo Sedan and Polo Hatchback, while DEFTECH, on the other hand, will optimise the potential of Pekan for Military and Commercial Vehicle assembly. Similarly, we will introduce new models and brands, while effectively managing the automotive industry's full value chain.

The sectoral performance going forward will also be led by sound competitive strategies related to product line-up, product quality, after-sales services, sales & services network expansion and pricing. In addition, human capital development and operational efficiencies will also be critical in shaping positive results next year.

Above all, our Automotive sector players will aim to achieve absolute market leadership locally, and gradually venture into regional markets through viable partnerships and innovative ranges of products and services.







# services

sector



HICOM Power Sdn. Bhd. provides operation and maintenance service of Tanjung Bin power plant



At DRB-HICOM, we recognise that no individual sector operates in isolation. The external environments, the financial markets, the global pressures will always impact the performance of various sectors. It is therefore important to achieve an economic equilibrium for the people, for them to access and afford services. Economic growth is critical to the success of the Services sector. We acknowledge this and hence, we are moving towards an era of innovation to establish our continuing relevance in the marketplace. We are looking beyond what is evident – the blue ocean strategy – to identify high potential areas and explore opportunities for long-term recurring revenue, contributing to sustainable growth.

We are also looking at operational efficiencies for cost savings and better returns by optimising our fixed assets and re-engineering our operating models. With structured planning, research and implementation, we are able to provide better services to the nation.

## CONCESSIONAIRES

**HICOM Power Sdn. Bhd. (HPSB)** holds the concession to provide operation and maintenance (O&M) services for the 2,100 MW Tanjung Bin power plant, the largest independent coal-fired power plant in Southeast Asia. In the year under review, HPSB achieved a PBT of RM78 million, with the power plant operating at high capacity factor with an annual average of 80%. HPSB has carried out three maintenance outages throughout the financial year while sustaining thermal efficiencies at a guaranteed rate. While maintaining focus as a reliable power supplier to the National Grid, HPSB is well positioned to secure additional O&M services in both domestic and global markets.

**KL Airport Services Sdn. Bhd. (KLAS)** continues to report high performance with a PBT of RM31.5 million during FY 2012. As compared to the budget of RM12.6 million, a favourable variance of RM18.9 million or 149.8% above budget was recorded. This was achieved on the back of increased ground handling and

engineering activities as a result of new customers, higher service frequencies, increased cargo tonnage and terminal charges, as well as supplementary revenue from the newly-formed Integrated Logistic Service division. KLAS has strengthened its position by converting 10 new airlines as customers and diversifying its business into cargo logistic management, halal logistics, institutional catering, ground handling management and truck flight among others. In FY 2012, KLAS invested in resources to implement various action plans for improving operational handling capability and capacity, alongside quality and service improvement initiatives.

**Alam Flora Sdn. Bhd. (Alam Flora)** is the country's leading solid waste management company serving the population in Kuala Lumpur, Putrajaya and Pahang. With its objective of creating a clean and green environment, Alam Flora undertakes solid waste collection and public cleansing management services under a 22-year concession from the Federal Government. For the year under review, the revenue of Alam Flora was recorded at RM412 million.

# services sector

“ Our endeavour has been to grow our value offerings in the Services sector to fulfill the needs of the communities, by making them accessible and as affordable as possible. In pursuing growth, our attempt will be to provide inclusive and sustainable services. ”



## BANKING

**Bank Muamalat Malaysia Berhad (Bank Muamalat)** performed fairly well considering the challenging global banking industry, with a PBT of RM124.1 million for the current financial year. The total revenue had grown by 8.8% at RM893.5 million. The total assets registered a moderate growth of 11.8% to RM20.5 billion, contributed by a record increase in customer financing of 26.4% to RM9.0 billion. Customer deposits grew modestly by 11.9% to RM18.1 billion. The risk-weighted capital ratio improved to 19.7% from 19.2%.

To retain its position, relevance and competitive edge, the bank undertook a structural rationalisation during the year to capitalise on synergies between Treasury and Capital Market and Investment Banking. Similarly, various process improvements, human capital development, and soft infrastructural initiatives were also undertaken to enhance effectiveness and efficiency in terms of optimum and quality service delivery.

Moving forward, Bank Muamalat continues to prioritise on the enhancement of network presence and customer service delivery. Selected branches will be relocated to more strategic locations or will be given a facelift with a new look-and-feel to create a new banking experience for customers. In addition, more ATM kiosks will be opened to provide convenience to customers. Our on-going collaboration with Pos Malaysia will be the cornerstone towards significant initiatives that would take the bank to greater heights.

## INSURANCE

**Uni.Asia Life Assurance Berhad (UAL)**, with its realigned business portfolio and focus on expanding the agency and alternative distribution channels aggressively, registered a commendable growth of 57% in agency production. In addition to this, agency recruitment grew at a healthy rate of 15% to tap the huge potential due to low industry penetration rate. UAL registered a PBT of RM32.6 million during the year under review.

In keeping with the evolving needs of the people, UAL introduced financial solutions in the form of new innovative products to include endowment, whole life, unit linked and health plans. UAL also opened new branches with state-of-the-art infrastructure, at convenient locations to market such products and services.

**Uni.Asia General Insurance Berhad (UAG)**, meanwhile, reported a PBT of RM52.1 million, a 29% increase compared to RM40.3 million in the last financial year.

**PUSPAKOM Sdn. Bhd. (PUSPAKOM)** remains the only vehicle inspection company appointed by the Government to undertake all mandatory inspection for commercial and public motor vehicles as well as private vehicles for hire purchase financing, ownership transfer and insurance purposes in the country.

The revenue performance has shown a growth of 13% as compared to last year, mainly contributed by non-concession business (10% or RM11.7 million). The main increase in non-concession business is derived from hire-purchase inspection services introduced during the year under review. The total revenue of the company was contributed

by concession business at 87% as compared to 95% in the previous year and non-concession business at 13% as against only 5% in the previous year.

However, the PBT performance has decreased by 54% to RM11.3 million, compared to RM24.4 million in the previous year. This was due to an increase in total cost, mainly contributed by rental and manpower costs related to the opening of new branches, salary revisions and investments in staff skills training.

## OTHER BUSINESSES

**Pos Malaysia Berhad (Pos Malaysia)** experienced a remarkably momentous year in FY 2012. Amid the challenging global economic conditions, the company delivered revenue of RM1.5 billion for a 15-month period due to the change in financial year end from 31 December to 31 March. Mail business continues to be the major revenue contributor at 62.2%, whilst courier and retail businesses account for 20.8% and 17.0% respectively. For the same period, PBT closed at RM200.2 million, underpinned by the full year impact of tariff increase and initiatives such as growing retail revenue with postal products and financial services, on-demand pick up; coupled with cost efficiency initiatives such as delivery beat recasting, streamlining network structure and optimising procurement, to name a few.

Compared against last financial year, Pos Malaysia's revenue and PBT recorded an outstanding annualised growth of 16.8% and 61.6% respectively. This achievement was by no means an easy feat, given the tough economic climate and the challenges within the postal industry.

A refreshed look of Bank Muamalat headquarters at Jalan Melaka, Kuala Lumpur to provide better customer experience





ICAM enjoys the unique significance of having its students taught by lecturers who have extensive industrial experience

# services sector

**HICOM University College Sdn. Bhd. (HUCSB)** owns and manages the International College of Automotive (ICAM), which was officially established in the first quarter of 2010 with approval from the Ministry of Higher Education. ICAM's mission is to build and nurture human capital and equip the Automotive sector with well-trained and skilled professionals. ICAM will support the Group's aspirations and talent requirements in a sustainable manner by producing professionals and leaders in the Automotive sector. ICAM is offering 8 Diploma programmes both in engineering and technology and also in business and management.

In FY 2012, the enrolment for these programmes has grown to an encouraging number of 596 students. During the year, HUCSB also entered into a collaborative agreement with Liverpool John Moores University, UK for a twinning programme for the B.Eng (Hons) in Manufacturing Systems Engineering on a 2+1 year basis. The first intake of students for this programme is expected in September 2012. ICAM has also completed 2 of the 3 fully-furnished blocks of University Village student accommodation. The University Village was occupied by the students since January 2012 and when fully completed, will have the capacity to house 2,229 students.

**Scott & English (Malaysia) Sdn. Bhd. (Scott & English)** is a premier engineering and trading group, and has been the market leader in the sales of heavy commercial marine engines as well as on-board and industrial generator sets. For the financial year under review, Scott & English

reported total sales revenue of RM225 million which was 15% lower than the previous financial year. The lower sales revenue coupled with higher operating cost had resulted in a lower PBT of RM10.1 million, a reduction of almost 33% against the preceding year.

**Midea Scott & English Electronics Sdn. Bhd. (Midea Scott & English Electronics)** is an associate company dealing in air-conditioners and home appliances. The company's overall performance improved for the financial year ended 31 December 2011 due to market acceptability of the brand as well as its diverse product range. During the same period, the sales turnover improved by 32.5% from RM49.8 million in 2010 to RM65.9 million. Due to a tax refund, the company registered PAT of RM412,500 for FY 2012.

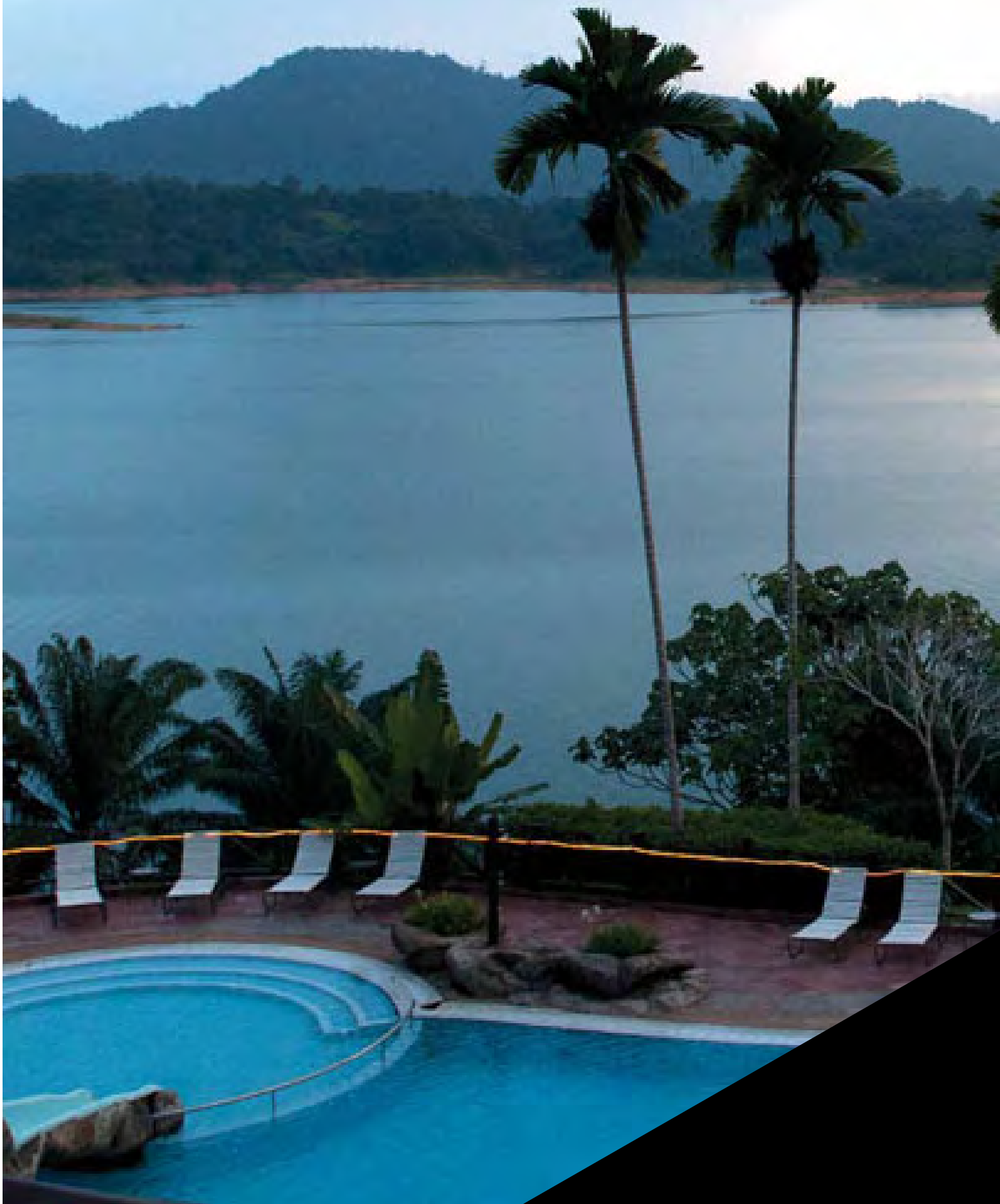
## WAY FORWARD

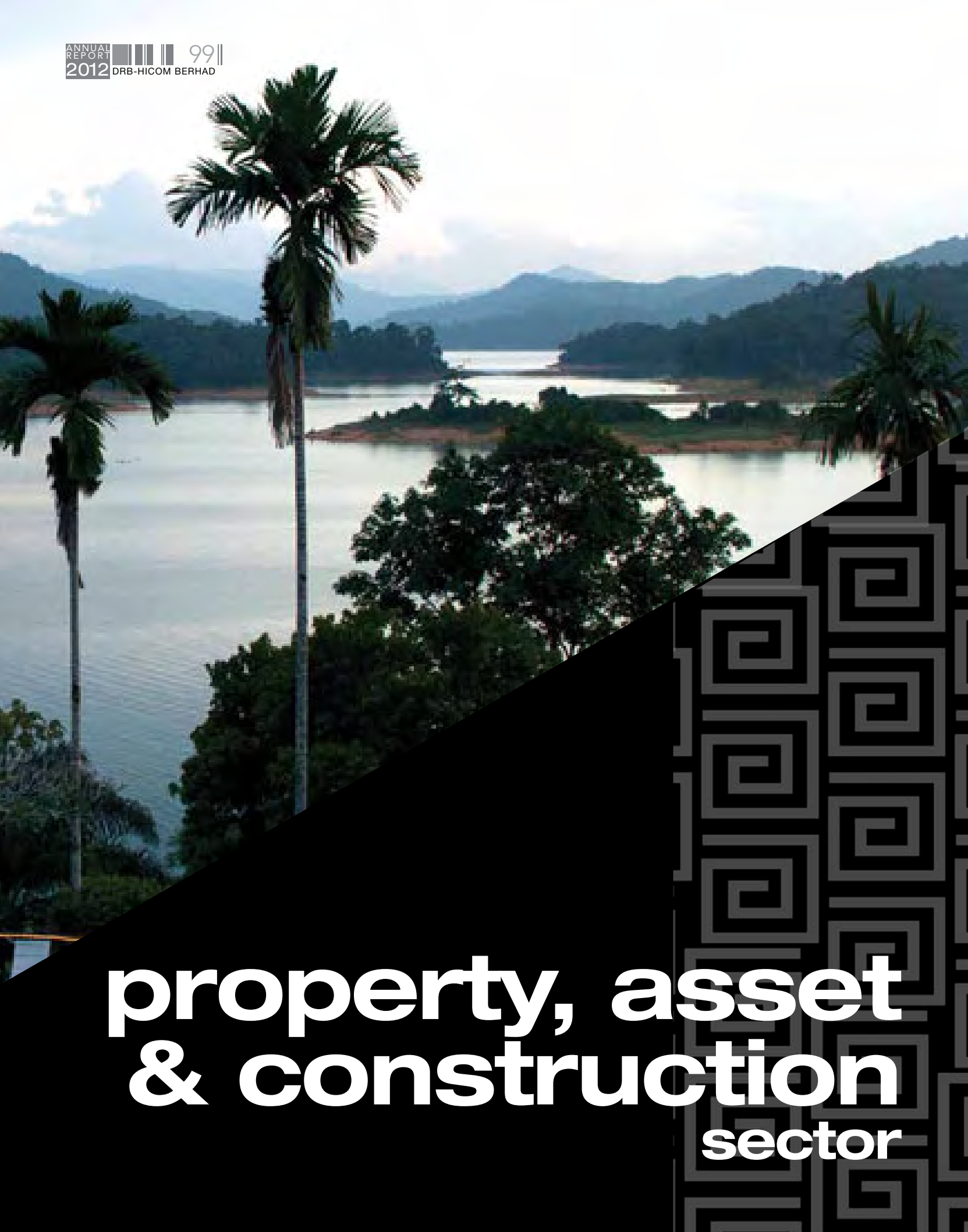
A healthy market and economy which assure a certain level of purchasing power or parity amongst consumers is important for the Services sector to thrive and perform profitably. As the market recovers from the previous recessionary pressures, domestic demand is expected to revive itself which will spur new growth for the sector. The bigger purpose and motive of this sector will continue to serve the needs of the communities at large, by expanding the length and breadth of products and services, which is also one of the key remits under the Financial Sector Blueprint (2011 – 2020).

For instance, while Bank Muamalat will be focussing on fee income generation, particularly in areas of trade finance, treasury activities, investment banking, and initiatives in developing its consumer asset and wealth management businesses, the drive for consumer deposits will continue to be strengthened to further expand and diversify its deposit base. The Bank, with the support of Pos Malaysia's formidable network, has an opportunity to expand its distribution of financial products and solutions to sub-urban and rural communities through more Automated Teller Machines (ATMs) and physical branches.

Similarly, UAL is concentrating on the expansion of its alternative distribution channels which amongst others include the exciting joint-venture project with Pos Malaysia. The project will reaffirm UAL's commitment to substantiate the government's efforts towards increasing awareness and penetration of life insurance in the country.

In moving towards the next financial year, the greater objective for the Services sector will be to build on core businesses, expand on current portfolio of products and services, sustain the earnings and increase profitability through prudent management of resources.





# property, asset & construction sector

# property, asset & construction sector

“ With strategic land banks and high-potential projects planned over the medium to long term, DRB-HICOM is poised to emerge as the new leader in the Malaysian property market; positively contributing to raise standards of quality and delivery. ”





Über-exclusive Glenmarie Gardens high-end villa development

Last year, the recovery of the Malaysian economy presented new opportunities for property players in various segments. The residential property sub-sector was at the forefront with transactions in Kuala Lumpur recording a growth of 8.2%, while Selangor, Johor and Penang (Island) recorded a growth of 7.2%, 3.6%, and 9.7% respectively (Source: The Malaysian Valuation & Property Services Department). The prevailing interest rate environment, attractive financial packages or schemes and property investments as a reliable asset class will continue to sustain and drive this sector. However, Bank Negara's implementation of housing loan amount at the maximum of 70% of property value, for the third and subsequent houses, may affect the investing movements in the residential property market.

In such a dynamic environment, DRB-HICOM, with its strategic land banks in premium locations, is well positioned to enhance the productivity and overall performance of the sector. Our focus has been to introduce not just high-quality, exclusive properties but to develop best-in-class projects offering lifestyle and business solutions. During the year under review, the PAC sector contributed RM260 million, with PBT of RM13.8 million.

An important development last year was the acquisition of PROTON by DRB-HICOM and the residential and commercial development of PROTON City, which will catalyse new growth in the region with integrated components such as Semi-Detached Terrace Houses, a University as well as the PROTON plant.

Our near to long-term strategies include projects with sustainable development objectives, green standards and certifications and above all, improved lifestyles.

#### PROPERTY DIVISION

The various projects under the flagship **Glenmarie Properties Sdn. Bhd. (GPSB)** received encouraging response from the market, with high take-up rates and excellent value appreciation even within a short span of 1-2 years.

The year under review witnessed the launch of the freehold Laman Glenmarie II in TTDI Jaya, Shah Alam, with a successful take-up rate of 85%. Phase 1 included a total of 186 units (22' x 80') with starting prices ranging from RM688,888 to RM1,317,888; while Phase 2 will include 199 units (24' x 80') double and three-storey superlink houses with an indicative price of RM838,888 onwards. This reflects more than 20% appreciation of the starting price in Phase 1.

Similarly, the second phase under the Über-exclusive brand Glenmarie Gardens also received encouraging response from the market due to its offering of gated and guarded high-end villas with smart home and green features, sky gardens, leg pools and a golf & country club. Prices for Glenmarie Gardens units started from RM4.7 million for Phase 1 and the price has increased gradually by 2% to 5% for Phase 2 with a starting

price of RM4.9 million. Also, the second of the five precincts in the river front development of Glenmarie Cove in Klang, Selangor was completed last year.

Our development plans are encouraged by market trends as well as the demand for luxury condominium properties, which has been on a gradual increase. This is further supported by the Government through liberalisation and tax incentives enabling foreign companies and individuals to invest in the country and consequently, raising the demand for up-market residential properties.

The next financial year will see further development projects, including the second phase of Laman Glenmarie II; luxury Garden Villas in Glenmarie; and a mixed township project in Johor called Glenmarie Heights. As for the future, we have plans to introduce signature commercial developments to include Glenmarie Wahyu (Kuala Lumpur), and HICOM Pegoh Park (Melaka).

**HICOM-Gamuda Development Sdn. Bhd. (HICOM-Gamuda)** is now nearing the completion of the development of Kota Kemuning, with small pockets of land re-allocated to optimise land use efficiency and value, leaving another of land available for development under the project.



Lake Kenyir Resort, Taman Negara's night view

During the year under review, HICOM-Gamuda reported total revenue of RM133.9 million and PBT of RM33.1 million. For the next financial year, the company will focus mainly on developing commercial shop offices and two plots of petrol station land with total gross development value (GDV) of RM91.2 million.

**PROTON City Development Corporation Sdn. Bhd. (PCDC)** is a joint venture between DRB-HICOM and Perusahaan Otomobil Nasional Sdn. Bhd. PROTON City is a township with industrial, commercial and residential development spread over 4,000 acres. During the year under review, PCDC has undertaken land conversion of 33 acres of vendor lots from industrial to commercial at Parcel 3. In addition to the sale of 26.88 acres of land during FY2010 to Mydin Mohamed Holdings Berhad, Aidil Colour Sdn. Bhd., Institute of Quality Malaysia and Permintex Group Berhad; PCDC sold another 17.66 acres of vendor land during FY 2012, with a sales value of RM9.3 million.

#### ASSET & FACILITY MANAGEMENT

Malaysia is renowned to be one of the top destinations providing first-class tourist infrastructure amongst Southeast Asian countries and more than 30% of the budget is allocated towards physical development and provision of infrastructure and services.

DRB-HICOM has long recognised the need as well as the potential of this sector; hence, we have allocated additional investments to improve our hospitality products and services. For instance, 135 and 14 rooms have been refurbished at **Lake Kenyir Resort, Taman Negara** in Terengganu and the **Rebak Island Resort** in Langkawi respectively. At the retail centre **The Verge, Singapore**, we invested in various system enhancements including Building Automation

System to improve our overall services delivery. Similarly, an amount of RM600,000 was invested to face-lift the F&B outlets and facilities at The Verge.

During the year under review, we also refurbished the golf course at the **Holiday Inn Kuala Lumpur Glenmarie**, to be able to host international events. Going forward, we will be investing in the hotel's spa and wellness facilities too. The hotel is a proud recipient of Hospitality Asia Platinum Awards (HAPA) 2010-2012 in 4 categories to include HAPA Best 4-Star Hotel and HAPA Best Hotel and Golf Course of the Year. Similarly, the environmental-friendly practices of the hotel have been recognised by EarthCheck, the world's leading sustainable travel and tourism certification organisation.

During the year under review, Asset & Facility Management division contributed RM99 million of revenue or 38% of the overall revenue under the Property, Asset and Construction sector.

The Group has been strategising progressive marketing plans to help promote the various hospitality assets towards profitability. For instance, to support the objectives of sustainable tourism and achieve a balance between conservation and development as also articulated in the National Ecotourism Plan, Lake Kenyir Resort, Taman Negara in Terengganu has been positioned as an eco-resort catering to a growing niche market. Likewise, the Rebak Island Resort in Langkawi has gained favourable reputation as a private island sanctuary, with international appeal.

Glenmarie Asset Management Sdn. Bhd. (GAM), formerly known as HICOM Facility Management Berhad, provides integrated facilities management services to the Group. The range of services provided includes security, cleaning and landscaping, renovation works, administration and telecommunication services.



# property, asset & construction sector

## CONSTRUCTION DIVISION

During the year, **HICOM Builders Sdn. Bhd. (HBSB)** embarked on an operations merger & rationalisation with **Comtrac Sdn. Bhd. (Comtrac)** and reported a combined revenue of RM97.6 million, against RM28.5 million in the previous year. On the construction side, the bulk of the revenue came from ICAM's University Village in Pekan, Pahang with a GDV of RM33 million.

During FY 2012, HBSB secured a book order of RM63 million. HBSB's sole property development project, Mutiara Tropicana Phase 2 is a joint-venture development between HBSB and Majlis Agama Islam Selangor and is expected to realise a GDV of RM31 million. Construction projects

that commenced and were completed during the year included the University Village student accommodation for International College of Automotive (ICAM) located in Pekan, Pahang. The RM42.5 million construction project comprised of two 12-storey blocks.

In addition, HBSB has also undertaken the construction of the subsequent phase of housing development in Tanjung Malim, Perak for PROTON City Development Corporation Sdn. Bhd. amounting to RM25.3 million.

The combined revenue acquired for construction projects for the year under review amounted to RM12 million or 5% of total revenue under the Property, Asset and Construction sector.

## WAY FORWARD

Industry analysts and market players are reading the Malaysian Property Market outlook as promising, with potential to tap high-end, niche segments; with high-value appreciation as well as rental yields. While some of the Government schemes and initiatives such as the My First Home Scheme and Malaysia My Second Home will positively create new potential, Bank Negara's revision of the loan-to-value (LTV) ratio to curb speculative investments of the residential property markets, may also inhibit investments. The recently announced minimum wage policy, on the other hand, may have a positive impact on the hospitality industry.

Breathtaking view from the Lake Kenyir Resort, Taman Negara's accommodation





**Group revenue  
rose by 1.09%  
during the year  
under review  
to record  
RM 6.88 billion,  
while profit before  
tax grew to  
RM 1.52 billion**





Dinner settings on the private beach of the 5-star Rebak Island Resort

# human capital development



“ We recognise the power and prowess of people in driving organisations to pinnacles of success. It is the passion, commitment and leadership of our people, who have been at the forefront, positively contributing to our organisational performance and growth. ”

Growth is imperative and an absolute measure of our success as well as an evidence of our quality resources. At DRB-HICOM, our effort has always been to achieve the highest standards of operational excellence through continuous human capital development. As a result, we have constantly created new opportunities to nurture and build talent within the organisation. While we recognise the potential of our people and the value of their experience, we also believe in providing new challenges for personal development and career progression.

## OPTIMISING POTENTIAL, BUILDING SKILLS

With robust growth plans in place, we acknowledge the need to explore the hidden potential within the organisation through a realignment exercise of skill-sets and resources. We constantly evaluate where we stand in terms of acquiring, nurturing and retaining talent, to be able to cater to the changing dynamics of our business as well as the competitive marketplace.

## A Springboard to Performance

A good headstart with the right footing is as important as the delivery of quality work itself. Group Human Capital (GHC) believes in setting the right tone and starting right through a focused Group Induction Programme. This two-day programme has been designed and implemented to help new employees in the Group familiarise themselves, with the Group's core business functions, policies and procedures and above all, its continuing mission and vision statements. The objective is to achieve seamless integration of talent into the DRB-HICOM culture and work-life.

The programme comprises briefing sessions by members of senior management as well as heads of various divisions, in an effort to instil a sense of pride in association with the brand and its leadership.

## Talent Management at its Best

To substantiate the efforts of GHC in streamlining the Job Design element for all talents across the organisation, an analysis and evaluation of tasks was conducted last year. This included a critical review of existing job accountabilities for all

positions in the corporate office for more efficient talent management. In FY 2012, GHC also conducted briefings on Position Description Questionnaires (PDQ) and Job Descriptions (JD) across all levels of the organisation. To further up-skill and develop the inherent capacity, talent workshops and talent reviews were also organised with nominated representatives from Group companies.

**A Platform for Potential Leaders**

Launched in October 2011, GHC's Learning Passport programme is a structured learning framework to groom high-potential employees for leadership positions. The programme is extremely focused in its approach in terms of identifying the right talent, building new skills and empowering them with new positions to support organisational objectives. The programme received positive feedback from Group companies and has taken root to address all human capital development needs in all subsidiaries.

**An Inspirational Place to Work**

In our efforts to continuously expand our talent pool, GHC has participated in various international and local career fairs. The Graduan Australia Career Fair 2011 and the UKEC-Graduan Career Fair 2012 are platforms where we were able to showcase the company's value proposition to young talents in Australia and the United Kingdom.

The Group also participated in the Graduan Aspire Career Fair 2012 at the Kuala Lumpur Convention Centre. These events are excellent avenues for the organisation to spot new talent and position DRB-HICOM as an employer of choice in the country.

**BUILDING A CULTURE OF SHARING & ENGAGEMENT**

Recognising that our employees are critical success factors within the organisations, DRB-HICOM is constantly initiating engagement efforts to spur performance levels and build a strong workforce to support the organisation's goals and aspirations. We believe that it is important to encourage and maintain an open dialogue and break communication barriers to achieve greater results.

**e-Communique – 'From the Desk of the Group Managing Director'**

To achieve this, GHC initiated and institutionalised a fortnightly e-communique, issued by the Group Managing Director's office for group-wide dissemination.

'From the Desk of the Group Managing Director' will include latest industry developments, organisational achievements, and business strategies which will empower the employees with the right focus. This channel is a platform to

establish a clear line of communication between top management and employees whilst creating a culture of sharing and engagement.

**DRB-HICOM Portal**

The DRB-HICOM Portal or the intranet has always served the purpose of a single-window of interaction for our employees. Hence, in partnership with Group Information Technology (IT), GHC enriched the form and content of this high-potential channel for internal communications. All employees are provided access to the portal, which also serves as an online knowledge repository and a point of reference for information related to company policies, procedures, employee promotions, etc.

**IN CONCLUSION**

With a passion for growth and innovation, we have set high standards for our human capital management – providing our people a strong platform of immense opportunities for career development. Our commitment has always been to provide the best and we will continuously strive to nurture people to be successful entrepreneurs and leaders propelling organisational growth and the national agenda for progress and greater development.



# Corporate Responsibility

“ At DRB-HICOM, in our pursuit of business excellence and growth, we have taken one step ahead of philanthropy to support worthy causes that benefit the cross-sections of the society. As a responsible Corporate Citizen, our endeavour has been to forge meaningful relationships with the local communities where we operate, through sustainable programmes and initiatives. ”

Over the past three decades, DRB-HICOM has been identifying opportunities to offer financial support for projects that help build social equity through visible change and positive transformation amongst local communities. This is achieved through robust growth strategies, stakeholder inclusiveness and sustainable engagement programmes. Since 2009, we looked beyond our philanthropic commitments and adopted a structured Corporate Responsibility (CR) framework, with best practices from Global Reporting Initiative's (GRI) G3 Guidelines, the Bursa Malaysia CR framework and the ACCA Malaysia Sustainability Reporting Guidelines.

Today, across DRB-HICOM Group, we take pride in successfully creating a business environment that is sensitive to the social impact. We endeavour to build the business responsibly, with accountability to all the stakeholders including the communities. In keeping with

the principles of good governance, we have been measuring and reporting on our CR initiatives to help demonstrate our commitment to various communities and social causes.

Towards enabling positive change, our CR efforts are structured to include Community, Environment, Marketplace and Workplace initiatives. In keeping with our track record, in FY 2012 we contributed generously towards impactful projects from long-term perspective. Amongst the beneficiaries and partners included local schools, purpose-driven institutions and NGOs, community members, partner organisations, industry associations, employees and the Rakyat in general.

Our CR Architecture (below) encapsulates our overall deliverables and the areas where we achieved some positive impact through various programmes and initiatives during the financial year ended 31 March 2012.





ICAM students



School children from our School Adoption Programme at SKJ (T) HICOM, Shah Alam

## COMMUNITY

“The sign of sure progress is the ever-improving social fabric of the society, where opportunities are created for education, social upliftment, and overall welfare and well-being towards sustainable development.”

### ACCESS TO BEST-IN-CLASS EDUCATION

As the nation's key contributor in the automotive sector, we have taken upon ourselves to continuously build talent for the automotive industry through our International College of Automotive (ICAM) in Pekan, Pahang.

ICAM, as the only specialised college established 'by the industry, for the industry', owes its genesis to our vision of fuelling this critical sector and its value chain with highly-skilled and knowledgeable workforce. Besides, ICAM also serves the Government's Economic Transformation Programme (ETP), aimed at increasing the number of highly-skilled workers to fulfil the demand of the industry and emerge as a high-income economy.

Last year, we contributed RM5.3 million towards sponsoring 177 disadvantaged and high-potential students, including selected employees for various three (3) years diploma programmes.

Our commitment to ICAM goes beyond providing education and training. We are also committed to providing each and every graduate of ICAM, a promising career within our group of companies.

### NURTURING THE FUTURE OF THE NATION

We have always believed in investing in children - the future talent of our country - through initiatives such as our School Adoption Programme. By introducing a special reward structure for the students, our objective has been to help improve the quality of education and motivate students towards achieving academic excellence. We also help to build and upgrade the school infrastructure towards creating an environment conducive to learning and holistic development.

To - date, the Group adopted the following ten (10) schools:

1. SJK (T) HICOM Shah Alam, Selangor
2. SJK (T) Cantuman Chaah, Johor
3. SJK (T) Ladang Voules, Johor
4. Sekolah Kebangsaan Sg Judah Pulau Carrey, Selangor
5. Sekolah Menengah Kebangsaan Pendidikan Khas Vokasional Shah Alam, Selangor
6. Sekolah Kebangsaan Sungai Melut (A) Dengkil, Selangor
7. SJK (C) Chap Khuan, Batu Arang, Selangor
8. Sekolah Kebangsaan Kuang, KM 28 Kuang, Selangor
9. Sekolah Kebangsaan Tanah Merah, Serian, Sarawak
10. Sekolah Kebangsaan Sungai Tiram, Sandakan, Sabah



DRB-HICOM Kembara Bumi Suci expedition members and Bank Muamalat contributed cash and goods to the underprivileged and orphans of the Hongshuiquan village, China

These schools were selected due to their poor infrastructure and facilities. To-date, our School Adoption Programme has meaningfully contributed and touched the lives of more than 12,000 teachers, students and their families.

## SECURING EMPLOYMENT

Through our Projek PUNCAK (Perkasa Usaha untuk Cipta Kejayaan), which was established by *Permuafakatan Badan Ilmiah Nasional (PEMBINA)* as a strategic programme to assist youths, who dropped-out from secondary school to rebuild their future, DRB-HICOM will sponsor 200 youths to undergo apprenticeship at our various subsidiaries for a probationary period of 6 months. Upon completion of the probationary period, the participants will be considered for permanent employment within the Group, after assessment by the Human Resources Departments of the respective subsidiaries.

Similar to this initiative, our subsidiary company PHN Industry Sdn. Bhd. (PHN) has been creating employment opportunities for individuals with deafness, hearing impairment and learning disabilities. The objective is to build social equity through integrating such communities into the mainstream society. To-date, PHN has employed 16 staff with such disabilities including students from Sekolah Menengah Pendidikan Khas Vokasional, Shah Alam to perform duties ranging from clerical and data-entry to welding and assembly works.

PHN works closely with the Malaysian Federation of the Deaf for annual employment recommendations, motivational workshops and also basic sign language training to sustain the disabled staff in employment; to help them achieve a more dignified, independent and an improved quality of life.



Humanitarian Relief Mission to Bangkok

## LEADING THE KEMBARA BUMI SUCI EXPEDITION

Bank Muamalat Malaysia Berhad (Bank Muamalat) contributed RM1 million in cash towards the production of 13-episode television programme chronicling DRB-HICOM *Kembara Bumi Suci*, an on-land expedition to the Holy City of Mecca, which was organised from 21 April 2012 - 22 June 2012.

The convoy of 15 motorbikes and 5 four-wheel drive vehicles crossed Thailand, Laos, China, Kazakhstan, Russia, Georgia, Azerbaijan and Turkey en route to Mecca. On the 17th day of the expedition, as they arrived in Xining, China, the adventurers were joined by Bank Muamalat's CEO YBhg. Dato' Hj. Mohd Redza Shah. With the help of China's Qinghai Muslim Foundation, the expedition members visited Hongshuiquan village and together with Bank Muamalat, they made contributions of cash and goods to the underprivileged and orphans.

## CONTRIBUTING TO THE HUMANITARIAN RELIEF MISSION

PROTON Holdings Berhad (PROTON), through its in-house Pasukan Bantuan Bersepadu PROTON (PBB), participated in the Humanitarian Relief Mission to Bangkok which was initiated by the NSTP and Media Prima Group from 28 April to 4 May 2012. The mission was to undertake relief works and distribute essential items donated by Malaysians for the flood victims in affected areas, identified by the Malaysian Embassy in Bangkok.



Visit to National Leprosy Control Centre (NLCC), Sungai Buloh



"Respect Your Limits" Vehicle Safety Awareness Campaign

### SHARING WITH THE DISADVANTAGED

In conjunction with the Chinese New Year (CNY) celebrations, DRB-HICOM Auto Solutions Sdn. Bhd. (DHAS) organised a visit to the National Leprosy Control Centre (NLCC) in Sungai Buloh. DHAS contributed CNY goodies, KFC meals and ang pow packets totalling RM12,500 to the patients.

During the year under review, our subsidiary company, Uni.Asia General Insurance Berhad (UAG) organised various visits to children's homes to distribute donations collected from its staff. Among the homes visited were:

1. Rumah Kebajikan Kanak-Kanak Cacat Negeri, Perak
2. Rumah Berkat, Johor Bahru
3. Yee Ran Jing Sheh (Y.R.J.S.) Handicapped Children's Home, Penang
4. Asrama Bakti (Asrama Anak-Anak Yatim) Machang, Kelantan
5. Don Bosco's Children's Home, Bundu Tuhan, Sabah

Also, during Ramadan 2011, DRB-HICOM held a *Majlis Berbuka Puasa* with orphans, senior citizens as well as local community members in Alor Setar, Kedah and Pekan, Pahang. *Duit Raya* was given out to orphans and newly-converted Muslims at the event.

### WELL-BEING OF THE RAKYAT

In our efforts to increase vehicle safety awareness especially for the heavy vehicle operators, PUSPAKOM Sdn. Bhd. (PUSPAKOM) collaborated with PLUS Expressways Berhad, Malaysian Institute of Road Safety Research (MIROS) and Department of Road Safety to organise "Respect Your Limits", a nationwide road show. PUSPAKOM also educated the Rakyat on road and vehicle safety through its active participation in Ministry of Transport's Open Day held nationwide. As an extension, PUSPAKOM also offered free vehicle inspection during the Hari Raya and Chinese New Year celebrations last year.



DRB-HICOM Karting Championship prize-giving ceremony



@theAcademy, Port Dickson

## WORKPLACE

“Our organisation stands tall, with employees as our pillars of strength and who are critical in fulfilling our growth aspirations. They are our partners in growth and to ensure their safety and welfare, professional development and pride in association are our primary responsibilities.”

### HEALTH AND SAFETY FIRST

At DRB-HICOM, we are committed to providing a safe and healthy working environment through periodic in-house safety checks in compliance with the nationally-recognised Health and Safety guidelines.

Led by the Group's Safety, Health and Environment (SHE) Committee and guided by the provisions of the Occupational Safety and Health Act (OSHA), we work closely with various organisations including the Fire Department (BOMBA), Department of Environment (DOE), Department of Occupational Safety and Health (DOSH) to create a safe and comfortable working environment for all staff at the workplace. Regular fire drills are conducted to better prepare our employees for speedy evacuation in cases of fire emergencies.

In line with the Health Ministry's directive to prohibit smoking within the office building, the Group has declared Wisma DRB-HICOM, a smoke-free zone. A designated smoking area is located just outside the main building.

Besides taking a holistic approach, we organised various activities to raise awareness on the importance of a healthy lifestyle among our staff. Our medical benefits also include health screenings for early detection, prevention and treatment of illnesses. Further, we are working together with various medical institutions, local hospitals and the National Blood Bank to conduct periodic health talks and blood donation drives.

### WORKING ENVIRONMENT CONDUCIVE TO GROWTH

Throughout their journey with DRB-HICOM, we help employees embrace a culture of teamwork, unity and positive comradeship in the spirit of “1Warga DRB-HICOM” through events such as the Labour Day Celebration, which was themed *Pekerja Berinovatif Penggerak Transformasi* and organised in collaboration with the Ministry of Human Resources. Similarly, to encourage healthy interactions and establish synergies across divisions and levels of the organisation, the Group organised various innovative and fun activities

that include Taisho morning exercises led by DRB-HICOM's Senior Management members, sporting activities such as fishing, bowling and inter-departmental competitions organised by the Sports Club.

Every year, we also participate in the annual DRB-HICOM Karting Championship themed “Powered by MODENAS” which is organised by ICAM. The event promotes diversity amongst staff and also provides opportunities for ICAM students to gain exposure in an automotive competition environment that helps to promote good technical understanding and excellent spirit of sportsmanship.

### EQUAL OPPORTUNITIES FOR LEARNING & GROWTH

As an organisation committed to fair and equitable employment regardless of the gender, caste, and creed; we offer immense opportunities to our employees based on their individual merits for continuous career development and enhancement.

During the year under review, DRB-HICOM recorded an increase of senior female management staff within the Group. It is our aspiration to continue empowering women with meaningful positions to promote gender equality and development in the workplace.

### EMPLOYEE EDUCATION AND CAREER DEVELOPMENT

To encourage personal and professional development of our employees, the Group has been providing financial assistance to eligible employees to pursue higher education in their chosen field to gain new competencies.

In addition, we have established an exclusive learning centre, @the Academy, which has been built on a solid foundation to inculcate a positive learning culture throughout the human capital workforce for the employees of DRB-HICOM.



Rewarding excellent employees' children during *Majlis Penyampaian Anugerah Kecemerlangan*

### REWARDING EMPLOYEES' CHILDREN

We care for our employees and we reward their children at the annual *Majlis Penyampaian Anugerah Kecemerlangan* event to motivate them to continuously strive for academic excellence. We rewarded a total of RM202,600 to 491 children for their outstanding achievements in the 2011 national school examinations in a ceremony held on 16 June 2012 and attended by the Senior Management of DRB-HICOM Group, parents and students. From the total, 329 students were rewarded for their achievements in Penilaian Menengah Rendah (PMR); 156 students for Sijil Pelajaran Malaysia (SPM) and 6 students for Sijil Tinggi Pelajaran Malaysia (STPM). We acknowledge and reward those who obtained a minimum of 7As for PMR, 7As for SPM and 3As for STPM.

### INTEGRITY ALWAYS

As collaborative Group effort, we are committed to ensure a business environment that is free from corruption. Various advisory services and training programmes are being offered to employees on ways to prevent corruption, helping them to embrace the company values as well as the professional code of conduct.

## MARKETPLACE

**“As a long-established and credible Group, our endeavour has been to demonstrate industry thought leadership, while practicing and advocating process innovations, technological enhancements, and operational excellence towards better efficiencies.”**

### ACHIEVING OPERATIONAL EFFICIENCIES

In our earnest efforts to achieve optimum efficiencies, we strive to adhere to exemplary standards and best practices through the deployment of the HICOM Management System (HMS) across the Group.

A structured method of assessment has been designed to ensure seamless implementation of HMS initiatives within the Group. The assessment will also help in identifying companies that can be benchmarked by their exemplary standards and procedures. We believe that HMS will significantly and positively increase our overall quality, efficiency, productivity and delivery.

To encourage our Group companies to uphold its high standards, an annual Innovative Creative Circle (ICC) / Quality Improvement Team (QIT) Convention will be organised where companies are conferred with rewards and recognition. During the convention in March 2012, PHN Industry Sdn. Bhd. emerged as the winner followed by HICOM-Teck See Manufacturing (M) Sdn. Bhd. and PUSPAKOM Sdn. Bhd. as the Runners-Up, while Bank Muamalat Malaysia Berhad clinched the Best Presentation award.

### DELIVERING SERVICE EXCELLENCE

As part of the Group's commitment to quality product and service offerings, we have integrated robust Customer Relationship Management (CRM) practices into our day-to-day business functions, to include customer outreach and engagement platforms and programmes.

Our subsidiary, Edaran Otomobil Nasional Berhad (EON), organised a series of Customer Open Days at its various branches, with more than 9,000 participating customers. EON also organised Auto Fiestas in conjunction with various community-centric events throughout the year. The events included *Festival Patin Temerloh 2011* at Dataran Tok Gajah, Temerloh and *GP Memancing Selangor 2011* at Tasik Cyberjaya and Taman Tasik Shah Alam.

In the same league, to honour our valued customers who have a taste for Performing Arts, Euromobil Sdn. Bhd. contributed RM150,000 for an exclusive theatre performance - 'The Secret Life of Nora' at Panggung Sari, Istana Budaya, attended by nearly 400 strategic partners and customers.

Similarly, UNI.Asia Life Assurance Berhad (UAL) organised the "Night of Honour", an annual awards night for all agents in the insurance industry, in order to reward and honour the top producers of UAL's agency force as well as to encourage highest standards of customer service. The agents were nominated based on one calendar year sales target and fulfillment of all criteria for the maintenance of agency contract. UAL also organised the National Association of Malaysian Life Insurance & Financial Advisors (NAMLIIFA) Convention, which is an annual event held to continuously uplift the image of the insurance profession, provide a platform for the agents to network and learn new skills which will help towards enhancing their competitiveness in the industry.

## ENVIRONMENT

“We recognise and commit ourselves to the need for businesses to assume greater responsibility and accountability towards the environment – to protect, preserve and minimize the adverse impact of modernisation and development.”

At DRB-HICOM, we uphold the Environmental Management System (EMS) as a Group-wide environmental policy. Through our integrated environmental management practices, which are embedded in all aspects of our operations, we ensure that our business remains profitable, while carrying out our operations and services in a responsible and sustainable manner.

### NATURE TRAIL 2012

During the year under review, we organised several nature trips and related activities to enhance environmental awareness.

From 6 to 8 January 2012, we organised the DRB-HICOM Nature Trail 2012, for the third consecutive year, which is a long distance nature scenic outing for the local media to Belum Rainforest in Perak, one of the world's oldest rainforests. The trail also helped raise awareness and appreciate the need to protect the largely undisturbed natural heritage.



Nature Trail 2012

### 3R & GERAK TUMPU

Alam Flora Sdn. Bhd. (Alam Flora), our subsidiary which provides cleaning and waste collection services - instils environmental awareness in the community it serves through its 3R (Reduce, Reuse and Recycle) Programme and *Projek Gerak Tumpu*.

Under the 3R Programme, Alam Flora introduced a systematic physical waste management system to various schools, resident associations, higher learning institutions and local authorities.

The company also spearheaded gotong-royong programmes under *Projek Gerak Tumpu* which aims to garner community support in keeping the country clean. Under the programme, Alam Flora dedicated one full day to clean a specific area, deemed unclean by the local authorities and requires heavy workforce and machinery.

During the year under review, six (6) *Gerak Tumpu* programmes have been conducted in key urban areas in the Klang Valley and in Kuantan.



Environmental awareness in the community through *Projek Gerak Tumpu*



PUSPAKOM environmental preservation initiatives



Glenmarie Cove mangrove conservation

## RIVER CONSERVATION

To help increase awareness on river conservation, KL Airport Services Sdn. Bhd. (KLAS) collaborated with Exact Training Consultant and Department of Irrigation and Drainage, Selangor to educate its 670 employees on the need to preserve rivers as a clean source of water and bio-diversity.

The programme was incorporated as part of KLAS' teambuilding activities during the year, where participants cleaned up rivers, removed trash, improved watersheds quality and distributed campaign brochures. KLAS' employees, who actively participated during the official launch of the programme, were appointed as KLAS River Rangers by Department of Irrigation and Drainage, Selangor.

Similarly, Glenmarie Cove Development Sdn. Bhd. (Glenmarie Cove) uses sea-sand instead of soil to prevent river erosion, and installed rock revetment to protect the river edge from soil erosion. Through these methods, the original ground levels of the site were increased to be above flood levels i.e. an impermeable bund is built around the site to keep water from flooding the site.

## TREE PLANTING

PUSPAKOM, in collaboration with the Forest Research Institute Malaysia (FRIM), organised a tree-planting programme as part of its environment preservation initiatives.

PUSPAKOM and the Group head office staff in Selangor and Wilayah Persekutuan planted 50 Cengal (*neobalanocarpus heimii*) trees in the Kepong Botanical Gardens on 13 February 2012. Cengal was chosen as it is one of the most popular hardwoods and is being heavily logged throughout the country. Apart from the tree planting activities, PUSPAKOM also contributed RM20,000 in cash to FRIM for its research activities.

## MANGROVE CONSERVATION

Mangroves are nature's highly preserved ecosystems, which protect the coastline against soil erosion and purify water by absorbing impurities and harmful heavy chemicals. Our subsidiary, Glenmarie Cove built an elevated timber boardwalk at Glenmarie Cove Mangrove Park, Klang which allows experts to study the bio-diversity of the mangrove forest as an important breeding ground for fish, crabs, prawns and other marine life.

## CONCLUSION

Guided by the Group's CR framework that ensures we conduct our business operations responsibly, we endeavour to uphold our CR commitments towards achieving strong environmental and social performance. Embracing its Core Values of Integrity and Transparency, we acknowledge our responsibility towards achieving sustainable development that will deliver value to our stakeholders, ensuring continued business success.



|  |     |
|--|-----|
| Directors' Report  | 118 |
| Statements of Comprehensive Income   | 122 |
| Statements of Financial Position   | 123 |
| Statements of Changes in Equity  | 126 |
| Statements of Cash Flows   | 128 |
| Notes to the Financial Statements  | 131 |
| Supplementary Information on the Breakdown of Realised<br>and Unrealised Profits | 241 |
| Statement by Directors   | 242 |
| Statutory Declaration  | 243 |
| Independent Auditors' Report   | 244 |

# financial statements



# DIRECTORS' REPORT

The Directors of DRB-HICOM Berhad have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company with investments in the automotive (including defence), services (including banking and postal businesses) and property, asset and construction segments.

The principal activities of the subsidiary companies, jointly controlled entities and associated companies are described in Note 3 to the financial statements.

There have been no significant changes in these activities during the financial year except for the Company's acquisitions of PROTON Holdings Berhad and POS Malaysia Berhad.

## FINANCIAL RESULTS

|                                   | Group<br>RM'000 | Company<br>RM'000 |
|-----------------------------------|-----------------|-------------------|
| Net profit for the financial year | 1,373,083       | 317,083           |
| Attributable to:                  |                 |                   |
| Owners of the Company             | 1,292,988       | 317,083           |
| Non-controlling interest          | 80,095          | -                 |
|                                   | 1,373,083       | 317,083           |

## DIVIDENDS

Dividends paid by the Company since 31 March 2011 were as follows:

|  | RM'000 |
|--|--------|
| In respect of the financial year ended 31 March 2011:                                    |        |
| Final gross dividend of 4.0 sen per share, less taxation of 25%, paid on 7 October 2011  | 57,997 |
| In respect of the financial year ended 31 March 2012:                                    |        |
| Interim gross dividend of 2.0 sen per share, less taxation of 25%, paid on 30 March 2012 | 28,999 |
| Total dividends paid   | 86,996 |

The Directors now recommend the payment of a final gross dividend of 4.0 sen per share, less taxation of 25%, amounting to RM57,997,112 in respect of the financial year ended 31 March 2012, subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

## SIGNIFICANT AND SUBSEQUENT EVENTS

The details of significant and subsequent events are as disclosed in Notes 59 and 60 to the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

|  |                           |
|--|---------------------------|
| Dato' Syed Mohamad bin Syed Murtaza    | (Chairman)                |
| Dato' Sri Haji Mohd Khamil bin Jamil   | (Group Managing Director) |
| Dato' Noorizan binti Shafie            |                           |
| Dato' Ibrahim bin Taib                 |                           |
| Datuk Haji Abdul Rahman bin Mohd Ramli |                           |
| Tan Sri Marzuki bin Mohd Noor          |                           |
| Ong Ie Cheong                          |                           |
| Ooi Teik Huat                          |                           |

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of deemed interests of Directors who held office at the end of the financial year, in shares of the Company and in its related corporations were as follows:

|                                      | Number of ordinary shares of RM1.00 each |          |          |                        |
|--------------------------------------|--|----------|----------|------------------------|
|                                      | As at<br>1 April 2011                    | Acquired | Disposed | As at<br>31 March 2012 |
| <u>Holding Company</u>               |  |          |          |                        |
| <u>Direct</u>                        |  |          |          |                        |
| Dato' Sri Haji Mohd Khamil bin Jamil | 30,000                                   | -        | -        | 30,000                 |

Other than as disclosed above, according to the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares in the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements 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 emoluments disclosed in Note 7 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee establishes and recommends the remuneration structure and policy for the Directors and Key Management Officers whereupon such recommendations are made to the Board of Directors for approval.

The Nomination and Remuneration Committee consists of the following Directors:

|                                     |  |
|-------------------------------------|--|
| Dato' Syed Mohamad bin Syed Murtaza | (Chairman/Senior Independent Non-Executive Director) |
| Tan Sri Marzuki bin Mohd Noor       | (Independent Non-Executive Director)                 |
| Ong Ie Cheong                       | (Independent Non-Executive Director)                 |

## DIRECTORS' REPORT

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and financial position were made out, the Directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had 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 of the 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 of the 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 of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 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 of the Company to meet their obligations as and when they fall due.

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

- (a) any charge on the assets of the Group and of the 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 and of the 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 of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the negative goodwill (gain on bargain purchase) arising from acquisition of a subsidiary company as disclosed in the consolidated statement of comprehensive income; 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 substantially affect the results of the operations of the Group or of the Company for the financial year in which this report is made.

#### **HOLDING COMPANY**

The Directors regard Etika Strategi Sdn. Bhd., a company incorporated in Malaysia, as the holding company.

#### **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 11 July 2012.



**DATO' SYED MOHAMAD BIN SYED MURTAZA**  
Chairman



**DATO' SRI HAJI MOHD KHAMIL BIN JAMIL**  
Group Managing Director

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

|   | Note | Group              |                | Company         |                |
|---|------|--------------------|----------------|-----------------|----------------|
|   |      | 2012<br>RM'000     | 2011<br>RM'000 | 2012<br>RM'000  | 2011<br>RM'000 |
| Revenue   | 4    | <b>6,878,205</b>   | 6,804,064      | <b>428,319</b>  | 500,313        |
| Cost of sales   | 5    | <b>(5,467,453)</b> | (5,465,055)    | -               | -              |
| Gross profit  |      | <b>1,410,752</b>   | 1,339,009      | <b>428,319</b>  | 500,313        |
| Other income  |      |                    |                |                 |                |
| - negative goodwill (gain on bargain purchase) arising from acquisition of a subsidiary company           |      | <b>971,522</b>     | -              | -               | -              |
| - negative goodwill (gain on bargain purchase) arising from accretion of interest in a subsidiary company |      | -                  | 71,216         | -               | -              |
| - others  |      | <b>301,244</b>     | 207,108        | <b>12,181</b>   | 3,306          |
| Selling and distribution costs  |      | <b>(185,407)</b>   | (154,444)      | -               | -              |
| Administrative expenses   |      | <b>(914,372)</b>   | (790,509)      | <b>(33,977)</b> | (33,382)       |
| Other expenses  |      | <b>(77,392)</b>    | (121,720)      | <b>(4,949)</b>  | (9,409)        |
| Finance costs   | 9    | <b>(152,936)</b>   | (78,088)       | <b>(79,913)</b> | (26,999)       |
| Share of results of jointly controlled entities (net of tax)  | 19   | <b>79,870</b>      | 70,459         | -               | -              |
| Share of results of associated companies (net of tax)   | 20   | <b>87,821</b>      | 158,493        | -               | -              |
| Profit before taxation  | 6    | <b>1,521,102</b>   | 701,524        | <b>321,661</b>  | 433,829        |
| Taxation  | 10   | <b>(148,019)</b>   | (131,318)      | <b>(4,578)</b>  | (46,742)       |
| Net profit for the financial year   |      | <b>1,373,083</b>   | 570,206        | <b>317,083</b>  | 387,087        |
| Other comprehensive income  |      |                    |                |                 |                |
| (Loss)/gain on fair value changes of investment securities: available-for-sale                            |      | <b>(13,452)</b>    | 11,888         | <b>(3,110)</b>  | (2,418)        |
| Fair value adjustment on investment property  |      | <b>3,046</b>       | 1,129          | -               | -              |
| Currency translation differences of foreign subsidiary companies  |      | <b>(347)</b>       | 359            | -               | -              |
| Share of other comprehensive (loss)/income of associated companies  |      | <b>(356)</b>       | 4              | -               | -              |
| Transfer of reserve of a jointly controlled entity to profit or loss                                      |      | <b>(3,420)</b>     | -              | -               | -              |
| Other comprehensive (loss)/income for the financial year, net of tax                                      |      | <b>(14,529)</b>    | 13,380         | <b>(3,110)</b>  | (2,418)        |
| Total comprehensive income for the financial year   |      | <b>1,358,554</b>   | 583,586        | <b>313,973</b>  | 384,669        |
| Net profit for the financial year attributable to:  |      |                    |                |                 |                |
| Owners of the Company   |      | <b>1,292,988</b>   | 472,468        |                 |                |
| Non-controlling interest  |      | <b>80,095</b>      | 97,738         |                 |                |
|   |      | <b>1,373,083</b>   | 570,206        |                 |                |
| Total comprehensive income for the financial year attributable to:  |      |                    |                |                 |                |
| Owners of the Company   |      | <b>1,278,467</b>   | 482,764        |                 |                |
| Non-controlling interest  |      | <b>80,087</b>      | 100,822        |                 |                |
|   |      | <b>1,358,554</b>   | 583,586        |                 |                |
| Basic earnings per share (sen)  | 12   | <b>66.88</b>       | 24.44          |                 |                |

The notes set out on pages 131 to 240 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

|  | Note  | 2012<br>RM'000    | 2011<br>RM'000    |
|--|-------|-------------------|-------------------|
| <b>ASSETS</b>  |       |                   |                   |
| <b>NON-CURRENT ASSETS</b>  |       |                   |                   |
| Property, plant and equipment  | 13    | 4,509,324         | 1,840,697         |
| Concession assets  | 14    | 377,552           | -                 |
| Prepaid lease properties   | 15    | 16,067            | 19,459            |
| Investment properties  | 16    | 553,121           | 554,452           |
| Land held for property development   | 17(b) | 1,045,230         | 946,560           |
| Jointly controlled entities  | 19    | 436,258           | 336,709           |
| Associated companies   | 20    | 1,136,680         | 484,515           |
| Intangible assets  | 21    | 1,228,431         | 219,021           |
| Deferred tax assets  | 22    | 162,603           | 155,629           |
| Investment securities: available-for-sale                                    | 23(b) |                   |                   |
| - Banking  |       | 4,734,273         | 3,163,859         |
| - Non-banking  |       | 1,038,911         | 962,272           |
| Investment securities: held-to-maturity                                      | 23(c) |                   |                   |
| - Banking  |       | 46,547            | 28,224            |
| - Non-banking  |       | 547,251           | 462,861           |
| Other assets   | 24    | 320               | 320               |
| Banking related assets   |       |                   |                   |
| - Financing of customers   | 25    | 7,030,538         | 4,813,029         |
| - Statutory deposits with Bank Negara Malaysia                               | 26    | 527,721           | 94,121            |
|  |       | <b>23,390,827</b> | <b>14,081,728</b> |
| <b>CURRENT ASSETS</b>  |       |                   |                   |
| Assets held for sale   | 27    | 21,299            | 3,390             |
| Inventories  | 28    | 1,516,757         | 523,545           |
| Property development costs   | 17(a) | 232,872           | 230,727           |
| Trade and other receivables  | 29    | 3,106,504         | 1,330,616         |
| Reinsurance assets   | 41    | 238,832           | 270,290           |
| Tax recoverable  |       | 66,584            | 78,505            |
| Investment securities: financial assets at fair value through profit or loss | 23(a) |                   |                   |
| - Non-banking  |       | 391,886           | 443,209           |
| Investment securities: available-for-sale                                    | 23(b) |                   |                   |
| - Banking  |       | 1,404,751         | 1,151,047         |
| - Non-banking  |       | 45,961            | 70,115            |
| Investment securities: held-to-maturity                                      | 23(c) |                   |                   |
| - Banking  |       | 28,786            | -                 |
| - Non-banking  |       | 85,175            | 14,712            |
| Banking related assets   |       |                   |                   |
| - Cash and short-term funds  | 32    | 4,501,556         | 6,447,295         |
| - Financing of customers   | 25    | 1,738,759         | 2,298,082         |
| Short term deposits  | 30    | 2,407,406         | 1,147,188         |
| Cash and bank balances   | 31    | 632,912           | 203,128           |
| Derivative assets  | 33    | 10,199            | 2,342             |
|  |       | <b>16,430,239</b> | <b>14,214,191</b> |
| <b>TOTAL ASSETS</b>  |       | <b>39,821,066</b> | <b>28,295,919</b> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

|   | Note | 2012<br>RM'000    | 2011<br>RM'000 |
|---|------|-------------------|----------------|
| <b>EQUITY AND LIABILITIES</b>                                       |      |                   |                |
| Share capital   | 34   | 1,719,601         | 1,719,601      |
| Reserves  |      | 4,442,049         | 3,260,743      |
| <b>Equity attributable to owners of the Company</b>                 |      | <b>6,161,650</b>  | 4,980,344      |
| <b>Non-controlling interest</b>                                     |      | <b>1,131,613</b>  | 1,151,768      |
| <b>TOTAL EQUITY</b>   |      | <b>7,293,263</b>  | 6,132,112      |
| <b>NON-CURRENT LIABILITIES</b>                                      |      |                   |                |
| Life insurance contract liabilities                                 | 35   | 1,839,124         | 1,732,565      |
| Deferred income   | 36   | 89,030            | 79,000         |
| Long term borrowings  | 37   | 3,475,561         | 825,241        |
| Provision for liabilities and charges                               | 38   | 824               | 761            |
| Provision for concession assets                                     | 39   | 149,594           | -              |
| Post-employment benefit obligations                                 | 51   | 15,298            | 10,293         |
| Deferred tax liabilities  | 22   | 59,103            | 65,757         |
| Banking related liabilities   |      |                   |                |
| - Deposits from customers   | 40   | 24,207            | 27,082         |
|   |      | <b>5,652,741</b>  | 2,740,699      |
| <b>CURRENT LIABILITIES</b>  |      |                   |                |
| General and life insurance contract liabilities                     | 41   | 673,196           | 708,582        |
| Deferred income   | 36   | 32,756            | -              |
| Trade and other payables  | 42   | 5,884,017         | 2,048,401      |
| Provision for liabilities and charges                               | 38   | 142,659           | 3,445          |
| Provision for concession assets                                     | 39   | 181,968           | -              |
| Post-employment benefit obligations                                 | 51   | 14                | 94             |
| Bank borrowings   | 43   |                   |                |
| - Bank overdrafts   |      | 9,768             | 5,997          |
| - Others  |      | 1,882,187         | 515,180        |
| Current tax liabilities   |      | 61,727            | 17,342         |
| Banking related liabilities   |      |                   |                |
| - Deposits from customers   | 40   | 17,652,397        | 15,812,819     |
| - Deposits and placements of banks and other financial institutions | 44   | 11,896            | 14,993         |
| - Bills and acceptances payable                                     | 45   | 310,324           | 291,375        |
| Derivative liabilities  | 33   | 32,153            | 4,880          |
|   |      | <b>26,875,062</b> | 19,423,108     |
| <b>TOTAL LIABILITIES</b>  |      | <b>32,527,803</b> | 22,163,807     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                 |      | <b>39,821,066</b> | 28,295,919     |

The notes set out on pages 131 to 240 form an integral part of the financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

|   | Note  | 2012<br>RM'000   | 2011<br>RM'000 |
|---|-------|------------------|----------------|
| <b>ASSETS</b>                             |       |                  |                |
| <b>NON-CURRENT ASSETS</b>                 |       |                  |                |
| Property, plant and equipment             | 13    | 15,334           | 5,003          |
| Investment properties                     | 16    | 138,729          | 142,268        |
| Subsidiary companies                      | 18    | 7,281,194        | 5,092,095      |
| Jointly controlled entities               | 19    | 9,800            | 9,800          |
| Associated companies                      | 20    | 676,973          | 71,803         |
|   |       | <b>8,122,030</b> | 5,320,969      |
| <b>CURRENT ASSETS</b>                     |       |                  |                |
| Asset held for sale                       | 27    | 16,079           | -              |
| Trade and other receivables               | 29    | 1,143,654        | 162,235        |
| Tax recoverable                           |       | 8,120            | 18,444         |
| Investment securities: available-for-sale | 23(b) | -                | 19,189         |
| Short term deposits                       | 30    | 610,548          | 155,321        |
| Cash and bank balances                    | 31    | 7,922            | 10,905         |
|   |       | <b>1,786,323</b> | 366,094        |
| <b>TOTAL ASSETS</b>                       |       | <b>9,908,353</b> | 5,687,063      |
| <b>EQUITY AND LIABILITIES</b>             |       |                  |                |
| Share capital                             | 34    | 1,719,601        | 1,719,601      |
| Reserves                                  |       | 3,636,712        | 3,409,735      |
| <b>TOTAL EQUITY</b>                       |       | <b>5,356,313</b> | 5,129,336      |
| <b>NON-CURRENT LIABILITIES</b>            |       |                  |                |
| Long term borrowings                      | 37    | 2,677,864        | 159,947        |
| Deferred tax liabilities                  | 22    | 3,583            | 2,839          |
|   |       | <b>2,681,447</b> | 162,786        |
| <b>CURRENT LIABILITIES</b>                |       |                  |                |
| Trade and other payables                  | 42    | 1,587,402        | 204,371        |
| Bank borrowings - Others                  | 43    | 283,191          | 190,570        |
|   |       | <b>1,870,593</b> | 394,941        |
| <b>TOTAL LIABILITIES</b>                  |       | <b>4,552,040</b> | 557,727        |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |       | <b>9,908,353</b> | 5,687,063      |

The notes set out on pages 131 to 240 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Issued and fully paid ordinary shares (Note 34) RM'000 | Non-distributable              |                                 |   |                                   |                                 | Equity attributable to owners of the Company |                  |                                 | Total RM'000     |
|--|--|--------------------------------|---------------------------------|---|-----------------------------------|---------------------------------|--|------------------|---------------------------------|------------------|
|  |  | Share Premium (Note 46) RM'000 | Merger Reserve (Note 47) RM'000 | Currency Translation Differences RM'000 | Available-for-sale Reserve RM'000 | Other Reserves (Note 48) RM'000 | Retained Earnings RM'000                     | Company RM'000   | Non-controlling Interest RM'000 |                  |
| At 1 April 2011  | 1,719,601  | 20,701                         | 911,016                         | 8,138                                   | (22,807)                          | 156,195                         | 2,187,500                                    | 4,980,344        | 1,151,768                       | 6,132,112        |
| Total comprehensive income for the financial year                          | -  | -                              | -                               | (142)                                   | (12,200)                          | (2,179)                         | 1,292,988                                    | 1,278,467        | 80,087                          | 1,358,554        |
| Subscription of shares in a subsidiary company by non-controlling interest | 52   | -                              | -                               | -                                       | -                                 | -                               | -  | -                | 500                             | 500              |
| Effect of changes in shareholdings in subsidiary companies                 | 52   | -                              | -                               | -                                       | -                                 | 400                             | (10,565)                                     | (10,165)         | (72,973)                        | (83,138)         |
| Transfer of a subsidiary company's other reserves                          | -  | -                              | -                               | -                                       | -                                 | 28,285                          | (28,285)                                     | -                | -                               | -                |
| Dividend paid to non-controlling interest                                  | -  | -                              | -                               | -                                       | -                                 | -                               | -  | -                | (27,769)                        | (27,769)         |
| Final dividend in respect of financial year ended 31 March 2011            | 11   | -                              | -                               | -                                       | -                                 | -                               | (57,997)                                     | (57,997)         | -                               | (57,997)         |
| Interim dividend in respect of financial year ended 31 March 2012          | 11   | -                              | -                               | -                                       | -                                 | -                               | (28,999)                                     | (28,999)         | -                               | (28,999)         |
| <b>At 31 March 2012</b>  | <b>1,719,601</b>                                       | <b>20,701</b>                  | <b>911,016</b>                  | <b>7,996</b>                            | <b>(35,007)</b>                   | <b>182,701</b>                  | <b>3,354,642</b>                             | <b>6,161,650</b> | <b>1,131,613</b>                | <b>7,293,263</b> |
| At 1 April 2010  | 1,719,601  | 20,701                         | 911,016                         | 6,550                                   | -                                 | 65,996                          | 1,855,872                                    | 4,579,736        | 1,242,774                       | 5,822,510        |
| Effects of adopting FRS 139  | -  | -                              | -                               | -                                       | 7,070                             | -                               | (27,783)                                     | (20,713)         | (7,805)                         | (28,518)         |
| As restated  | 1,719,601  | 20,701                         | 911,016                         | 6,550                                   | 7,070                             | 65,996                          | 1,828,089                                    | 4,559,023        | 1,234,969                       | 5,793,992        |
| Acquisitions of additional interests in subsidiary companies               | 52   | -                              | -                               | -                                       | -                                 | -                               | -  | -                | (157,131)                       | (157,131)        |
| Total comprehensive income for the financial year                          | -  | -                              | -                               | 1,959                                   | 7,204                             | 1,133                           | 472,468                                      | 482,764          | 100,822                         | 583,586          |
| Transfer of a subsidiary company's other reserves                          | -  | -                              | -                               | (371)                                   | (37,081)                          | 89,066                          | (47,810)                                     | 3,804            | 1,626                           | 5,430            |
| Dividend paid to non-controlling interest                                  | -  | -                              | -                               | -                                       | -                                 | -                               | -  | -                | (28,518)                        | (28,518)         |
| Final dividend in respect of financial year ended 31 March 2010            | 11   | -                              | -                               | -                                       | -                                 | -                               | (36,248)                                     | (36,248)         | -                               | (36,248)         |
| Interim dividend in respect of financial year ended 31 March 2011          | 11   | -                              | -                               | -                                       | -                                 | -                               | (28,999)                                     | (28,999)         | -                               | (28,999)         |
| At 31 March 2011   | 1,719,601  | 20,701                         | 911,016                         | 8,138                                   | (22,807)                          | 156,195                         | 2,187,500                                    | 4,980,344        | 1,151,768                       | 6,132,112        |

The notes set out on pages 131 to 240 form an integral part of the financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

|   | Note | Issued and fully paid ordinary shares (Note 34) RM'000 | Non-distributable              |                                 |                                   | Distributable                      | Total RM'000     |
|---|------|--|--------------------------------|---------------------------------|-----------------------------------|------------------------------------|------------------|
|   |      |  | Share Premium (Note 46) RM'000 | Merger Reserve (Note 47) RM'000 | Available-for-sale Reserve RM'000 | Retained Earnings (Note 50) RM'000 |                  |
| <b>2012</b>   |      |  |                                |                                 |                                   |                                    |                  |
| At 1 April 2011   |      | 1,719,601  | 20,701                         | 2,318,321                       | (2,418)                           | 1,073,131                          | 5,129,336        |
| Total comprehensive (loss) /income for the financial year         |      | -  | -                              | -                               | (3,110)                           | 317,083                            | 313,973          |
| Final dividend in respect of financial year ended 31 March 2011   | 11   | -  | -                              | -                               | -                                 | (57,997)                           | (57,997)         |
| Interim dividend in respect of financial year ended 31 March 2012 | 11   | -  | -                              | -                               | -                                 | (28,999)                           | (28,999)         |
| <b>At 31 March 2012</b>   |      | <b>1,719,601</b>                                       | <b>20,701</b>                  | <b>2,318,321</b>                | <b>(5,528)</b>                    | <b>1,303,218</b>                   | <b>5,356,313</b> |
| <b>2011</b>   |      |  |                                |                                 |                                   |                                    |                  |
| At 1 April 2010   |      | 1,719,601  | 20,701                         | 2,318,321                       | -                                 | 752,698                            | 4,811,321        |
| Effects of adopting FRS 139                                       |      | -  | -                              | -                               | -                                 | (1,407)                            | (1,407)          |
| As restated   |      | 1,719,601  | 20,701                         | 2,318,321                       | -                                 | 751,291                            | 4,809,914        |
| Total comprehensive (loss) /income for the financial year         |      | -  | -                              | -                               | (2,418)                           | 387,087                            | 384,669          |
| Final dividend in respect of financial year ended 31 March 2010   | 11   | -  | -                              | -                               | -                                 | (36,248)                           | (36,248)         |
| Interim dividend in respect of financial year ended 31 March 2011 | 11   | -  | -                              | -                               | -                                 | (28,999)                           | (28,999)         |
| <b>At 31 March 2011</b>   |      | <b>1,719,601</b>                                       | <b>20,701</b>                  | <b>2,318,321</b>                | <b>(2,418)</b>                    | <b>1,073,131</b>                   | <b>5,129,336</b> |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |                |                |
| Net profit for the financial year   | 1,373,083      | 570,206        | 317,083        | 387,087        |
| Adjustments for non-cash items:   |                |                |                |                |
| Allowance for/(write back of)/ write off of investment securities and financing of customers (net)      | 30,433         | 61,778         | -              | -              |
| Amortisation of   |                |                |                |                |
| - concession assets   | 10,284         | -              | -              | -              |
| - intangible assets   | 27,201         | 21,427         | -              | -              |
| - prepaid lease properties  | 433            | 558            | -              | -              |
| Depreciation of property, plant and equipment   | 178,725        | 145,439        | 377            | 418            |
| Finance costs   | 152,936        | 78,088         | 79,913         | 26,999         |
| Impairment losses of  |                |                |                |                |
| - land held for property development  | -              | 1,044          | -              | -              |
| - assets held for sale  | -              | 1,960          | -              | -              |
| Inventories written off/down (net of write backs)   | 3,593          | 9,258          | -              | -              |
| Loss/(gain) on disposal/write off of property, plant and equipment                                      | 33,143         | (3,447)        | -              | (1)            |
| Loss/(gain) on fair value adjustment of   |                |                |                |                |
| - investment properties   | 58             | (2,553)        | 3,539          | 5,374          |
| - investment securities: financial assets at fair value through profit or loss                          | 180            | (26,791)       | -              | -              |
| Marked to market loss/(gain) on derivatives (net)   | 19,321         | (6,760)        | -              | -              |
| Provision for/(write back of) liabilities and charges (net)   | 2,076          | 2,216          | -              | -              |
| Taxation  | 148,019        | 131,318        | 4,578          | 46,742         |
| Amortisation of deferred income   | (1,513)        | (5,406)        | -              | -              |
| Dividend income (gross)   | (5,044)        | (3,232)        | (383,420)      | (454,680)      |
| Doubtful debts (net of write backs)   | (13,454)       | 38,212         | -              | (11)           |
| Gain on disposal of   |                |                |                |                |
| - assets held for sale  | (30)           | -              | -              | -              |
| - prepaid lease properties/investment properties  | (256)          | (19)           | -              | -              |
| - shares of a subsidiary company  | (80)           | -              | -              | -              |
| Gain on dilution of shares in an associated company   | -              | (570)          | -              | -              |
| Gain on disposal of investment securities:  |                |                |                |                |
| - available-for-sale  | (23,808)       | (3,176)        | -              | -              |
| - financial assets at fair value through profit or loss   | (2,591)        | (12,821)       | -              | -              |
| Interest income   | (52,051)       | (38,495)       | (40,819)       | (36,286)       |
| Negative goodwill (gain on bargain purchase) arising from acquisition of a subsidiary company           | (971,522)      | -              | -              | -              |
| Negative goodwill (gain on bargain purchase) arising from accretion of interest in a subsidiary company | -              | (71,216)       | -              | -              |
| Net unrealised foreign exchange differences (Reversal)/ impairment loss of                              | (12,694)       | (14,012)       | -              | -              |
| - investment securities: available-for-sale   | (29,540)       | (42,197)       | -              | -              |
| - property, plant and equipment   | (2,707)        | 20,004         | -              | -              |
| Share of results of jointly controlled entities (net of tax)  | (79,870)       | (70,459)       | -              | -              |
| Share of results of associated companies (net of tax)   | (87,821)       | (158,493)      | -              | -              |
| Cash inflow/(outflow) before working capital changes  | 696,504        | 621,861        | (18,749)       | (24,358)       |
| Amounts due to customers on contracts   | (177,289)      | 1,224          | -              | -              |
| General and life insurance contract liabilities   | 98,281         | 90,728         | -              | -              |
| Inter-company balances  | (76,756)       | 5,280          | (2,895)        | (5,170)        |

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Inventories   | 106            | 136,141        | -              | -              |
| Property development costs  | (19,385)       | 4,856          | -              | -              |
| Trade and other receivables   | (888,785)      | (165,923)      | (18,895)       | (265)          |
| Trade and other payables  | 835,134        | 154,089        | 18,348         | (4,259)        |
| Financing of customers  | (1,723,094)    | (673,934)      | -              | -              |
| Statutory deposits with Bank Negara Malaysia  | (433,600)      | (6,300)        | -              | -              |
| Deposits with customers   | 1,836,703      | 1,391,667      | -              | -              |
| Deposits and placements of banks and other financial institutions                                       | (3,097)        | (1,368)        | -              | -              |
| Bills and acceptances payable   | 18,949         | 199,151        | -              | -              |
| Net cash inflow/(outflow) from operations   | 163,671        | 1,757,472      | (22,191)       | (34,052)       |
| Interest received   | 40,104         | 37,768         | 7,873          | 7,973          |
| Dividends received  | 178,311        | 146,220        | 365,808        | 409,675        |
| Finance cost paid   | (161,854)      | (74,856)       | (56,932)       | (16,939)       |
| Taxation paid, net of refunds   | (91,181)       | (114,771)      | 18,222         | (638)          |
| Provision for liabilities and charges paid  | (4,066)        | (3,207)        | -              | -              |
| Deferred income received  | 8,820          | -              | -              | -              |
| Deferred capital grants utilised  | (2,020)        | -              | -              | -              |
| Net cash inflow from operating activities   | 131,785        | 1,748,626      | 312,780        | 366,019        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |                |                |
| Acquisition of an associated company  | (605,170)      | -              | (605,170)      | -              |
| Acquisition of investment securities by insurance subsidiary companies                                  | (1,026,817)    | (1,044,838)    | -              | -              |
| Acquisition of investment securities by a banking subsidiary company                                    | (7,310,152)    | (4,727,630)    | -              | -              |
| Acquisition of additional shares in subsidiary companies  | (15,431)       | (12)           | (10,000)       | (3,000)        |
| Capital reduction and repayment in a subsidiary company   | -              | (80,829)       | -              | -              |
| Cost incurred on land held for property development   | (82,411)       | (4,807)        | -              | -              |
| Expenditure on investment properties  | -              | (1,390)        | -              | -              |
| Net cash inflow from disposal of a subsidiary company   | 80             | -              | -              | -              |
| Net cash outflow from acquisition of a subsidiary company   | (397,406)      | -              | (1,509,573)    | -              |
| Proceeds from dilution of an associated company   | -              | 658            | -              | -              |
| Proceeds from disposal of an associated company   | 2,730          | -              | -              | -              |
| Proceeds from disposal/maturity of investment securities by insurance subsidiary companies              | 964,426        | 748,599        | -              | -              |
| Proceeds from disposal of investment securities by a banking subsidiary company                         | 3,866,248      | 3,383,328      | -              | -              |
| Proceeds from disposal of property, plant and equipment/ prepaid lease properties/investment properties | 8,253          | 10,719         | -              | 1              |
| Purchase of property, plant and equipment/concession assets/intangible assets                           | (264,118)      | (150,201)      | (5,713)        | (137)          |
| Redemption of available-for-sale securities by a banking subsidiary company                             | 1,695,000      | 1,056,160      | -              | -              |
| Subscription of shares by non-controlling interest in a subsidiary company                              | 500            | -              | -              | -              |
| Net cash outflow from investing activities  | (3,164,268)    | (810,243)      | (2,130,456)    | (3,136)        |

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

|   | Note  | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                |                |                |                |
| Dividends paid to non-controlling interest  |       | (27,769)       | (28,518)       | -              | -              |
| Dividends paid to shareholders  |       | (86,996)       | (65,247)       | (86,996)       | (65,247)       |
| Fixed deposits held as security/maintained as sinking fund  |       | (263,391)      | (18,322)       | -              | -              |
| Proceeds from bank borrowings   |       | 3,645,667      | 1,301,430      | 2,657,264      | 10,000         |
| Repayment of borrowings/hire purchase and finance leases  |       | (757,911)      | (1,486,990)    | (47,043)       | (43,477)       |
| Repayment of loans to subsidiary companies (net of proceeds)  |       | -              | -              | (253,305)      | (219,975)      |
| Net cash inflow/(outflow) from financing activities   |       | 2,509,600      | (297,647)      | 2,269,920      | (318,699)      |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>   |       |                |                |                |                |
|   |       | (522,883)      | 640,736        | 452,244        | 44,184         |
| Effects of foreign currency translation   |       | (16)           | (16)           | -              | -              |
| CASH AND CASH OF EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR                                       |       | 7,736,646      | 7,095,926      | 166,226        | 122,042        |
| CASH AND CASH OF EQUIVALENTS AT END OF THE FINANCIAL YEAR   |       | 7,213,747      | 7,736,646      | 618,470        | 166,226        |
| <b>(a) Cash and cash equivalents at end of the financial year comprise the following:</b>             |       |                |                |                |                |
| Short term deposits   |       | 2,407,406      | 1,147,188      | 610,548        | 155,321        |
| Cash and bank balances  |       | 632,912        | 203,128        | 7,922          | 10,905         |
| Cash and short term funds of a banking subsidiary   |       | 4,501,556      | 6,447,295      | -              | -              |
| Bank overdrafts   |       | (9,768)        | (5,997)        | -              | -              |
|   |       | 7,532,106      | 7,791,614      | 618,470        | 166,226        |
| Less: Fixed deposits held as security/sinking fund  | 30(b) | (309,542)      | (54,968)       | -              | -              |
| Less: Bank balance in respect of Automotive Development Fund  |       | (8,817)        | -              | -              | -              |
|   |       | 7,213,747      | 7,736,646      | 618,470        | 166,226        |
| <b>(b) Non-cash transactions</b>  |       |                |                |                |                |
| The principal non-cash transactions during the financial year comprise the following:                 |       |                |                |                |                |
| (i) Acquisition of property, plant and equipment by means of hire purchase, finance lease and payable |       |                |                |                |                |
|   |       | 13,941         | 33,483         | 4,995          | -              |
| (ii) Acquisition of concession assets by means of hire purchase, finance lease and payable            |       |                |                |                |                |
|   |       | 332,777        | -              | -              | -              |

The notes set out on pages 131 to 240 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 1 PRINCIPAL ACTIVITIES

The Company is an investment holding company with investments in the automotive (including defence), services (including banking and postal businesses) and property, asset and construction segments.

There have been no significant changes in these activities during the financial year except for the Company's acquisitions of PROTON Holdings Berhad and POS Malaysia Berhad.

The principal activities of the subsidiary companies, jointly controlled entities and associated companies are described in Note 3 to the financial statements.

The Directors regard Etika Strategi Sdn. Bhd., a company incorporated in Malaysia, as the holding company.

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

The address of the registered office and principal place of business of the Company is Level 5, Wisma DRB-HICOM, No. 2, Jalan Usahawan U1/8, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, unless otherwise stated below, have been used consistently in dealing with items which are considered material in relation to the financial statements:

### 2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia, modified by the accounting policies set out in the Bank Negara Malaysia Guidelines for banking and insurance subsidiary companies and Shariah principles for a banking subsidiary company of the Group.

The financial statements of the Group and of the Company are prepared under the historical cost convention except for those that are disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and FRSs in Malaysia, modified by the accounting policies set out in the Bank Negara Malaysia Guidelines for banking and insurance subsidiary companies and Shariah principles for a banking subsidiary company of the Group, requires the use of certain critical accounting 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 year. Actual results could differ from those estimates. There are no areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements other than as disclosed in Note 58 to the financial statements.

### 2.2 Changes in accounting policies and effects arising from adoption of revised FRSs

The new/revised accounting standards, amendments to published standards and Issues Committee ("IC") Interpretations to existing standards issued by MASB and effective for the current financial year are as follows:

|                       |  |
|-----------------------|--|
| FRS 1                 | First-time Adoption of Financial Reporting Standards         |
| FRS 3                 | Business Combinations (Revised)                              |
| Amendments to FRS 5   | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 7   | Improving Disclosures about Financial Instruments            |
| Amendments to FRS 101 | Presentation of Financial Statements                         |
| Amendments to FRS 121 | The Effects of Changes in Foreign Exchange Rates             |
| Amendments to FRS 127 | Consolidated and Separate Financial Statements               |
| Amendments to FRS 128 | Investments in Associates                                    |
| Amendments to FRS 131 | Investments in Joint Ventures                                |
| Amendments to FRS 132 | Classification of Right Issues                               |
| Amendments to FRS 134 | Interim Financial Reporting                                  |
| Amendments to FRS 138 | Intangible Assets  |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and effects arising from adoption of revised FRSs (Continued)

|                                  |   |
|----------------------------------|---|
| Amendments to FRS 139            | Financial Instruments: Recognition and Measurement  |
| IC Interpretation 4              | Determining Whether an Arrangement contains a Lease |
| IC Interpretation 12             | Service Concession Arrangements                     |
| IC Interpretation 13             | Customer Loyalty Programmes                         |
| Amendment to IC Interpretation 9 | Reassessment of Embedded Derivatives                |

The adoption of the new and revised FRSs, IC Interpretations and Amendments to FRSs did not result in substantial changes to the Group's accounting policies other than the effect of FRSs as described below:

#### Amendments to FRS 7 Improving Disclosures about Financial Instruments

The adoption of amendments to FRS 7 introduces the enhanced disclosures on fair value hierarchy.

#### IC Interpretation 12 Service Concession Arrangements ("IC 12")

The IC 12 provides guidance on the accounting treatment of a service concession arrangement involving the provision of public sector services by private operators. Pursuant to IC 12, infrastructure shall not be recognised as tangible operating assets of the operator as the operator does not control but has the right to charge users for using the infrastructure until end of concession when it is surrendered to the grantor i.e. the Government. Hence, the infrastructure is to be recognised as Concession Assets.

IC 12 also requires that the contractual obligations to maintain the infrastructure to a specified standard or to restore the infrastructure when it has deteriorated below a specified condition, be recognised and measured in accordance with FRS 137: Provisions, Contingent Liabilities and Contingent Assets.

Adoption of this IC 12 has resulted in the derecognition of concession assets as property, plant and equipment and such expenditure has been recognised as Concession Assets as of 1 September 2011 by a subsidiary company of the Group.

### 2.3 Impact of new MASB pronouncements

The Group has not adopted the following FRSs that are not mandatory for the current financial year.

#### (i) **New/revised accounting standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted**

Effective for the Group financial year beginning on or after 1 April 2012:

|                                    |   |
|------------------------------------|---|
| Amendments to FRS 7                | Transfers of Financial Assets                               |
| Amendments to FRS 112              | Deferred Tax: Recovery of Underlying Assets                 |
| FRS 124                            | Related Party Disclosures                                   |
| Amendments to IC Interpretation 14 | Prepayments of a minimum funding requirement                |
| IC Interpretation 19               | Extinguishing financial liabilities with equity instruments |

The adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

#### (ii) **Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Impact of new MASB pronouncements (Continued)

#### (ii) Malaysian Financial Reporting Standards (Continued)

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year beginning 1 April 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has commenced transitioning its accounting policies and financial reporting from the current Financial Reporting Standards to the MFRS Framework.

### 2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiary companies are 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, generally accompanying a shareholding of more than one half of the voting rights. The Group's subsidiary companies are listed in Note 3 to the financial statements.

All the subsidiary companies are consolidated using the purchase method of accounting where the results of subsidiary companies acquired or disposed of during the financial year are included from the date on which control is transferred to the Group and are no longer consolidated from the date on which the control ceases. At the date of acquisition, the fair values of the subsidiary companies' identifiable assets acquired and liabilities and contingent liabilities assumed are determined and these values are reflected in the consolidated financial statements. The cost of an acquisition is measured as fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets including the cumulative amount of any currency exchange differences that relate to the subsidiary company and is recognised in the consolidated statement of comprehensive income.

The total assets and liabilities of subsidiary companies are included in the Group's statement of financial position and the interests of non-controlling shareholders in the net assets are stated separately. All significant inter-company transactions, balances and unrealised gains on transactions are eliminated on consolidation and unrealised losses on transactions are also eliminated unless cost cannot be recovered.

### 2.5 Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in statements of comprehensive income of the Group and within equity in the consolidated statement of financial position separately from parent shareholders' equity. Non-controlling interest is initially measured at the non-controlling interest's share of fair values of the identifiable assets and liabilities of the acquiree at the date of acquisition.

The Group applies a policy of treating acquisition/disposal of shares from/to non-controlling interest as transactions with parties external to the Group. Gains and losses resulting from disposal of shares in subsidiary companies to non-controlling interest are recorded in statements of comprehensive income. Purchases from non-controlling interest result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Jointly controlled entities

A jointly controlled entity is an enterprise which is neither a subsidiary company nor an associated company of the Group but over which there is a contractually agreed sharing of control by the Group with one or more parties over the strategic operating, investing and financial policy decisions. The decisions require the unanimous consent of the parties sharing control.

The financial statements of the jointly controlled entities used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. When the reporting dates of the Group and a jointly controlled entity are different, the jointly controlled entity is required to prepare additional financial statements as of the same date as that of the Group for consolidation purpose.

The Group's share of results of jointly controlled entities is included in the consolidated statement of comprehensive income using the equity method of accounting. In the consolidated statement of financial position, the Group's interest in jointly controlled entities is stated at cost plus the Group's share of post acquisition retained profits and reserves less impairments. Where necessary, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

The Group's jointly controlled entities are listed in Note 3 to the financial statements.

### 2.7 Associated companies

An associated company is a company in which the Group is in a position to exercise significant influence in its management but which is not control and is neither a subsidiary company nor a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies.

The financial statements of the associated companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. When the reporting dates of the Group and an associated companies are different, the associated company is required prepare additional financial statements as of the same date as that of the Group for consolidation purpose.

The Group's share of results of associated companies is included in the consolidated statement of comprehensive income using the equity method of accounting. The share of the results of the associated company will not be taken into the Group's statement of comprehensive income when the carrying value of the investment in an associated company reaches zero unless the Group has incurred obligations or guaranteed obligations in respect of the associated company. In the consolidated statement of financial position, the Group's interest in associated companies is stated at cost plus the Group's share of post acquisition retained profits and reserves less impairment. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group's associated companies are listed in Note 3 to the financial statements.

### 2.8 Investments in subsidiary companies, jointly controlled entities and associated companies

Investments in subsidiary companies, jointly controlled entities and associated companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investments, the difference between the net disposal proceeds and its carrying amount is charged or credited to the statement of comprehensive income.

### 2.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at the initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets (Continued)

- **Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

- **Loans/financing and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

- **Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

- **Available-for-sale financial assets**

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets (Continued)

- **Available-for-sale financial assets (Continued)**

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

### 2.10 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

- **Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

- **Unquoted equity securities at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Impairment of financial assets (Continued)

- **Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

- **Insurance receivables**

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised through profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

- **Impairment of financing**

Financing of banking subsidiary company are classified as impaired when they fulfil either of the following criteria:

- (i) principal or profit or both are past due from more than 3 months;
- (ii) where a financing is in arrears for less than 3 months, the financing exhibits indications of credit weaknesses, whether or not impairment loss has been provided; or
- (iii) where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payments based on the revised and/or restructured terms have been observed continuously for a period of 6 months.

The financing or group of financing is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financing (an incurred 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financing or group of financing that can be reliably estimated.

The banking subsidiary company first assesses individually whether objective evidence of impairment exists individually for financing that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financing or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Impairment of financial assets (Continued)

- **Impairment of financing (Continued)**

Financing together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the banking subsidiary. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

For financing that are collectively assessed, the banking subsidiary has applied the transitional provision issued by Bank Negara Malaysia via its guidelines on Classification and Impairment Provision for Loans/Financing, whereby collective assessment allowance is maintained at a minimum of 1.5% of total financing outstanding, net of individual assessment allowance.

### 2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the receivables and settle the payables simultaneously.

### 2.12 Investment properties

Investment properties comprise land and buildings that are held for long term rental yield and/or for capital appreciation and that are not occupied by the companies in the Group. Assets under construction/development for future use as investment property are also classified in this category. Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market values determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income in the period of the retirement or disposal.

### 2.13 Assets held for sale

Assets are classified as held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

### 2.14 Property, plant and equipment and depreciation

Freehold land is not depreciated as it has an infinite life. Depreciation on assets under construction commences when the assets are ready for their intended use. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the statement of comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Property, plant and equipment and depreciation (Continued)

Where an indication of impairment exists, the carrying amount of the property, plant and equipment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, the Group assesses whether there is any indication of impairment.

The estimated useful lives in years are as follows:

|   |                               |
|---|-------------------------------|
| Buildings, golf course and improvements | 3 - 98 years                  |
| Leasehold land                          | Over the period of lease term |
| Plant and machinery                     | 5 - 30 years                  |
| Motor vehicles                          | 2 - 10 years                  |
| Office equipment                        | 2 - 10 years                  |
| Furniture and fittings                  | 2 - 20 years                  |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

### 2.15 Concession assets

Concession assets comprise the consideration receivables to the extent that it receives a right to charge users of the public services and is amortised over the period of 22 years under the Service Concession Agreement.

Subsequent costs and expenditures related to infrastructure and equipment arising from the commitments to the concession contracts or that increase future revenue is recognised as additions to the concession assets and are stated at cost. All other repairs and maintenance that are routine in nature, are charged to the statement of comprehensive income during the financial period in which they are incurred.

### 2.16 Prepaid lease properties

Leasehold land that normally has a finite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease, if the risks and rewards of the ownership are not substantially transferred to the Group. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease properties that are amortised over the lease term in accordance with the pattern of benefits provided. Short term leases are below 50 years and long term leases are above 50 years.

### 2.17 Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiary companies, jointly controlled entities and associated companies over the fair value of the Group's share of the identifiable net assets at the time of acquisition. Goodwill on acquisitions of subsidiary companies is included in the statement of financial position as intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the statement of comprehensive income.

Goodwill arising on the acquisition of subsidiary companies is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

Goodwill on acquisitions of jointly controlled entities and associated companies is included in investment in jointly controlled entities and associated companies respectively. Such goodwill is tested for impairment as part of the overall balance.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Intangible assets other than goodwill

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

#### (i) Plant and assembly licenses and expenses incurred for development of products

Plant and assembly licences and expenses incurred for development of products are considered to have finite useful lives and are amortised equally over the period of their expected benefit or charged to statement of comprehensive income in the financial year in which the related plant or product is abandoned or considered to be of no value.

#### (ii) Computer software

Costs that are directly associated with identifiable and unique software products which have probable benefits exceeding the cost beyond one year are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital movement and added to the original cost of the software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software costs recognised as intangible assets are carried at cost and are amortised on a straight line basis over their estimated useful lives of 1 - 5 years.

#### (iii) Concession for the operation and maintenance of a power plant

Concession for the operation and maintenance of a power plant, is recognised as an intangible asset. The concession is carried at cost and amortised on a straight line basis over the concession period of 22.9 years.

#### (iv) Core deposits of a banking subsidiary company

Core deposits are carried at cost and amortised on a straight line basis over a period of 5 years.

#### (v) Research and development cost

Expenditure in connection with research activities (research expenditure) is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria for recognition are fulfilled:

- (a) It is technically feasible to complete the intangible assets so that it will be available for use or sale;
- (b) Management's intention to complete the intangible asset for use or sale;
- (c) There is an ability to use or sell the intangible asset;
- (d) It can be demonstrated that the intangible asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (f) The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs previously recognised as an expense are not recognised as an asset in subsequent period. Development expenses capitalised include costs incurred in the development from the date it first meets the recognition criteria and up to the completion of the development project and commencement of commercial production. Capitalised development cost is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of research and development cost is based on straight line basis over its useful life, which ranges between 5 to 7 years for vehicles and 10 years for mechanical parts.

Where an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable amount.

Preliminary and pre-operating expenses are written off to the statement of comprehensive income in the financial year in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Property development activities

#### (i) Land held for property development

Land held for property development consist of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (within current assets) when development work is to be undertaken and is expected to be completed within the normal operating cycle.

On disposal of land held for property development, the difference between the net disposal proceeds and its carrying amount is charged or credited to the statement of comprehensive income.

#### (ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Where the outcome of a development can be reliably estimated, property development revenue and expenditure are recognised using the percentage of completion method. The percentage of completion is measured by reference to the development costs incurred to date in proportion to the estimated total costs for the property development.

Where the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of costs incurred that is probable will be recoverable. Property development costs on development units sold are recognised as an expense when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and are stated at lower of cost and net realisable value. Where revenue recognised in the statement of comprehensive income exceeds billings to purchasers, the balance is shown as accrued billings under receivables (within current assets). Where billings to purchasers exceed revenue recognised, the balance is shown as progress billings under payables (within current liabilities).

Revenue and profit from completed properties is recognised in accordance with the terms of the sale and purchase agreements.

### 2.20 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is defined as all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and conditions. Costs of purchase comprise the purchase price, import duties and other taxes (so far as not recoverable from the taxation authorities), transport and handling costs and other directly attributable costs.

#### (i) Raw materials, work-in-progress, finished goods and consumables

Raw materials and consumables are stated at cost. Work-in-progress and finished goods represent raw materials, direct labours, direct charges and allocated process costs, where necessary. Cost is principally determined on a first-in, first-out or weighted average basis depending on the nature of inventories.

#### (ii) Inventories of unsold properties

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate allocation of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Reinsurance

The insurance subsidiary company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary company from its obligation to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance assets that the life insurance subsidiary company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the life insurance subsidiary company will receive from the reinsurer. The impairment loss is recognised through profit or loss. Gains or losses on buying reinsurance are recognised in the statement of comprehensive income immediately at the date of purchase and are not amortised.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to the reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

### 2.22 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts 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.

### 2.23 Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax.

#### (i) Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date. Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (ii) Deferred tax

Deferred tax is provided for in full, using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill, an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 Income taxes (Continued)

#### (ii) Deferred tax (Continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the reporting date. Deferred tax is recognised in the statement of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.24 Share capital

#### (i) Classification

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity.

#### (ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### (iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the reporting date. Dividends proposed after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date. Upon the dividend becoming payable, it will be accounted for as a liability.

### 2.25 Borrowings

#### (i) Classification

Borrowings are measured at fair value net of transaction costs initially and subsequently, at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

#### (ii) Capitalisation of borrowing cost

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are recognised in profit or loss in the period they are incurred.

### 2.26 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Financial liabilities (Continued)

- **Financial liabilities at fair value through profit and loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

- **Other financial liabilities**

The Group's and the Company's other financial liabilities include trade and other payables, loans and borrowings, deposits from customers, deposits and placements of banks and financial institutions, bills and acceptances payable and other liabilities.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised at fair value net of transaction costs initially and subsequently, at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values.

Bills and acceptances payable represent the banking subsidiary company's own bills and acceptances rediscounted and outstanding in the market.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.27 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 Provisions

#### (i) Warranty and sales returns

A provision is made for the estimated liability on all products still under warranty and provision for sales returns is made for estimated returns of goods as at the reporting date. These provisions are arrived at based on service and sales returns historical data.

#### (ii) Restructuring, mutual separation schemes and voluntary separation scheme costs

Restructuring, mutual separation scheme and voluntary separation scheme provisions mainly comprise employee termination costs and other related costs and are recognised in the financial year in which the Group becomes legally or constructively committed to payment.

#### (iii) Concession assets

A provision is recognised from based on the contract obligations that it must fulfil as a condition of its license to maintain the infrastructure to a specified standard and to restore the infrastructure when the infrastructure has deteriorated below specific condition as stated under Service Concession Agreement.

#### (iv) Claims liabilities in relation to a general insurance subsidiary company

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period. The liability is calculated at the reporting date by an independent actuarial firm using projection techniques that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

#### (v) Provision for benefits and claims in relation to a life insurance subsidiary company

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the life insurance company is notified. Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised. Benefits and claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

### 2.29 Life insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The valuation of life insurance contract liabilities is determined according to the Risk Based Capital Framework for Insurers issued by Bank Negara Malaysia ("BNM") as set out in below:

#### (i) Actuarial liabilities

Comprise of Participating Fund Insurance Contract Liabilities, Non-Participating Fund Insurance Contract Liabilities and Investment-Linked Fund Insurance Contract Liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.29 Life insurance contract liabilities (Continued)

#### (ii) Unallocated surplus

Surpluses in the discretionary participation features ("DPF") fund are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The life insurance subsidiary, however has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surpluses in the non-DPF fund are attributable wholly to the shareholders and the amount and timing of the distribution to the shareholders is subject to the advice of the life insurance subsidiary's Appointed Actuary. As required by BNM Guidelines on Financial Reporting for Insurers, unallocated surplus of the DPF and non-DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year, are held within insurance contract liabilities.

#### (iii) Available-for-sale fair value reserves

Fair value gains and losses of available-for-sale financial assets of the life insurance business are reported as a separate component of insurance contract liabilities until the available-for-sale financial assets are derecognised or the financial assets are determined to be impaired.

#### (iv) Net asset value attributable to unit holders

The unit liabilities of Investment-linked policy is equal to the net asset value of the Investment-linked funds, which represent net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expenses charges.

### 2.30 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met.

- (i) Grants relating to assets are included in non-current liabilities as deferred income and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.
- (ii) Grants relating to costs are recognised immediately through profit or loss to match them with the costs incurred.
- (iii) Income grants are grants other than the above grants and recognised in the statements of comprehensive income where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

### 2.31 Employee benefits

#### (i) 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 and Company.

#### (ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and Company's contributions to the defined contribution plan are charged to the statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

#### (iii) Termination benefits

Termination benefits are payable to an entitled employee whenever the employment has to be terminated before the normal retirement date or when the employee accepts mutual/ voluntary separation in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.31 Employee benefits (Continued)

#### (iv) Post-employment benefits – Defined benefit plan

Certain companies in the Group operate defined benefit plans for their eligible employees.

The defined benefit obligation is calculated using the project unit credit method, determined by independent actuaries are charged to the statement of comprehensive income so as to spread the cost of pensions over the average remaining service lives of the related employees participating in the defined benefit plan. Assumptions were made in relation to the expected rate of salary increases and annual discount rate.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statement of financial position less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service. The Group determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Plan assets in excess of the defined benefit obligation are subject to the asset limitation test specified in FRS 119.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the statement of comprehensive income determined by the corridor method in accordance with FRS 119 and is recognised through profit or loss over the average remaining service lives of the related employees participating in the defined benefit plan.

### 2.32 General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, premium liabilities and claims liabilities.

#### Premium liabilities

Premium liabilities are the higher of:

- (a) the aggregate of the unearned premium reserves ("UPR"); or
- (b) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall general insurance company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

#### Unearned premium reserves

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used, as follows:

- (i) 25% method for marine cargo, aviation cargo and transit;
- (ii) 1/24<sup>th</sup> method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by Bank Negara Malaysia;
- (iii) 1/8<sup>th</sup> method for all other classes of overseas inward business with a deduction of 20% for acquisition costs; and
- (iv) time appointment method for policies with insurance periods other than 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.32 General insurance underwriting results (Continued)

#### Acquisition costs and deferred acquisition costs ("DAC")

The cost of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed off.

### 2.33 Life insurance underwriting results

The surplus transferable from the life insurance fund to the statement of comprehensive income is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and related regulations by the life insurance subsidiary's Appointed Actuary.

#### Premium income

Premium income includes premium recognised in the life fund and the Investment-linked funds.

Premium income of the life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income of the Investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

#### Reinsurance premium

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.

#### Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the statement of comprehensive income in the financial year in which they are incurred.

### 2.34 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the percentage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total costs.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.34 Construction contracts (Continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as expenses when incurred.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings periodically. Where costs incurred and recognised profit (less recognised losses) exceeds progress billings, the balance is shown as amounts due from customers on construction contracts under current assets. Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to customers on construction contracts under current liabilities.

### 2.35 Assets under lease arrangements

#### (i) Finance leases

Leases of property, plant and equipment, concession assets and intangible assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired under finance lease arrangements are included in property, plant and equipment or/and intangible assets and the capital element of the leasing commitments is shown under borrowings. The lease rentals are treated as consisting of capital and interest element. The capital element is applied to reduce the outstanding obligations and the interest element is charged to statement of comprehensive income so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period. Assets acquired under finance lease are depreciated or amortised over the useful lives of equivalent owned assets or its lease term, if shorter.

#### (ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental payments on operating leases are charged to the statement of comprehensive income in the financial year they become payable.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### 2.36 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivables. Other than revenue recognition policies mentioned elsewhere in the summary of significant accounting policies, set out below are other significant revenue recognition policies used by the Group:

#### (i) Sale of goods

Sales are recognised upon delivery of goods, net of sales tax, returns, discounts and allowances and upon transfer of significant risks and rewards of ownership of the goods to the customers.

#### (ii) Rendering of services

##### (a) Solid waste management

Revenue from management services, solid waste disposal and tipping fees is recognised upon performance of services less discounts.

##### (b) Vehicle inspection income

Income from inspection of vehicles is recognised upon the rendering of inspection services.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.36 Revenue recognition (Continued)

#### (ii) Rendering of services (Continued)

##### (c) Ground handling services

Revenue from ground handling, inflight catering and cargo handling is recognised upon performance of services less discounts.

##### (d) Premium income of a general insurance subsidiary company

Premium income is recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which policies have not been issued as of the reporting date are accrued at that date.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

##### (e) Operation and maintenance of a power plant

Revenue from operation and maintenance is recognised upon performance of services less discounts.

##### (f) Fee and other income recognition for a banking subsidiary company

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

#### (iii) Others

##### (a) Dividend income

Dividends are recognised when the Group's right to receive payment is established.

##### (b) Interest income

Interest income is recognised using effective interest method.

##### (c) Income from financing of a banking subsidiary company

Profit income from financing is recorded using the effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financing or a shorter period, where appropriate, to the net carrying amount of the financing. The calculation takes into account all contractual terms of the financing (for example, repayment options), but not future credit losses.

For impaired financing where the value of the financing has been written down as a result of an impairment loss, financing income continues to be recognised using the rate of profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

##### (d) Rental income

Rental income is accrued on a straight line basis over the lease term.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.37 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

#### (ii) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted into functional currency at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currency are translated into Ringgit Malaysia at rates of exchange approximating those ruling on the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange date when fair value was determined. Exchange gains and losses are dealt with in the statement of comprehensive income.

#### (iii) Foreign subsidiary companies

The assets and liabilities of foreign subsidiary companies that have a functional currency other than RM are translated into Ringgit Malaysia at the rate of exchange ruling at the reporting date. Income and expenses are translated at exchange rates at the date of transactions. Exchange differences arising on translation are taken directly to other comprehensive income.

On disposal of foreign subsidiary companies, such translation differences are recognised in the statement of comprehensive income as part of the gain or loss on disposal.

### 2.38 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

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 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.

### 2.39 Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but disclosed its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 3 COMPANIES IN THE GROUP

The principal activities of the companies in the Group and the effective interest of the Group as at 31 March 2012 therein are shown below:

| Name of Company                                    | Effective Equity Interest |           | Principal Activities   | Financial Year End |
|--|---------------------------|-----------|--|--------------------|
|  | 2012<br>%                 | 2011<br>% |  |                    |
| <b>SUBSIDIARY COMPANIES</b>                        |                           |           |  |                    |
| <b>Subsidiary companies of DRB-HICOM Berhad:</b>   |                           |           |  |                    |
| Gadek (Malaysia) Berhad                            | 100.00                    | 100.00    | Investment holding   | 31 March           |
| HICOM Holdings Berhad                              | 100.00                    | 100.00    | Investment holding   | 31 March           |
| DRB-HICOM Auto Solutions Sdn. Bhd.                 | 100.00                    | 100.00    | Vehicle importation, logistics, vehicle pre-delivery inspection and value added services for provision of logistics and related services to vehicles | 31 March           |
| DRB-HICOM Defence Technologies Sdn. Bhd.           | 100.00                    | 100.00    | Manufacture, supply, maintenance marketing, refurbishment or retrofitting of military and commercial vehicles, equipment and spare parts             | 31 March           |
| HICOM Power Sdn. Bhd.                              | 100.00                    | 100.00    | Operations and maintenance services of power plant   | 31 March           |
| HICOM University College Sdn. Bhd.                 | 100.00                    | 100.00    | Higher educational and vocational training institution   | 31 March           |
| PUSPAKOM Sdn. Bhd. ("PUSPAKOM")                    | 100.00                    | 100.00    | Inspection of commercial vehicles for roadworthiness and the inspection of other vehicles  | 31 March           |
| * Proton Parts Centre Sdn. Bhd.                    | 100.00                    | 45.00     | Trading of motor vehicle components, spare parts and accessories   | 31 March           |
| *@ PROTON Holdings Berhad ("PROTON")               | 100.00                    | -         | Investment holding   | 31 March           |
| Bank Muamalat Malaysia Berhad [Note 18 (c)]        | 70.00                     | 70.00     | Islamic banking business and related financial services  | 31 March           |
| Motosikal Dan Enjin Nasional Sdn. Bhd. ("MODENAS") | 70.00                     | 70.00     | Manufacture, assemble and distribute motorcycles, related spare parts and accessories  | 31 March           |
| * HICOM Trucks Sdn. Bhd.                           | 100.00                    | 100.00    | Dormant  | 31 March           |
| \$ HICOM Terang Sdn. Bhd.                          | 100.00                    | -         | Dormant  | 31 March           |
| * DRB-HICOM Export Corporation Sdn. Bhd.           | 71.65                     | 71.65     | Dormant  | 31 March           |
| * Intrakota Komposit Sdn. Bhd.                     | 70.00                     | 70.00     | Dormant  | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |        | Principal Activities   | Financial Year End |
|--|---------------------------|--------|--|--------------------|
|  | 2012 %                    | 2011 % |  |                    |
| <b>SUBSIDIARY COMPANIES (Continued)</b>                                |                           |        |  |                    |
| <b>Subsidiary companies of Gadek (Malaysia) Berhad:</b>                |                           |        |  |                    |
| Mega Consolidated Sdn. Bhd.  | <b>100.00</b>             | 100.00 | Investment holding   | 31 March           |
| * Uni.Asia Capital Sdn. Bhd.   | <b>51.00</b>              | 51.00  | Investment holding   | 31 March           |
| * Ladang Gadek Development Sdn. Bhd.                                   | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| * Ladang Kupang Development Sdn. Bhd.                                  | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| <b>Subsidiary companies of Uni.Asia Capital Sdn. Bhd.:</b>             |                           |        |  |                    |
| * Uni.Asia Life Assurance Berhad                                       | <b>51.00</b>              | 51.00  | Underwriting of life insurance business including investment-linked business                     | 31 March           |
| * Uni.Asia General Insurance Berhad                                    | <b>34.73</b>              | 34.73  | Underwriting of all classes of general insurance business  | 31 March           |
| <b>Subsidiary company of DRB-HICOM Defence Technologies Sdn. Bhd.:</b> |                           |        |  |                    |
| Defence Services Sdn. Bhd.   | <b>100.00</b>             | 100.00 | Specialised defence engineering works including refurbishment and upgrading of armoured vehicles | 31 March           |
| <b>Subsidiary companies of PUSPAKOM:</b>                               |                           |        |  |                    |
| Puspakom Teknik Sdn. Bhd.  | <b>100.00</b>             | 100.00 | Supply and maintenance of automobile associated equipment  | 31 March           |
| Flora Areana Sdn. Bhd.   | <b>100.00</b>             | 100.00 | Investment holding   | 31 March           |
| <b>Subsidiary company of MODENAS:</b>                                  |                           |        |  |                    |
| Edaran Modenas Sdn. Bhd.   | <b>70.00</b>              | 70.00  | Distribution of motorcycles, related spare parts and accessories and servicing of motorcycles    | 31 March           |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company   | Effective Equity Interest |        | Principal Activities   | Financial Year End |
|---|---------------------------|--------|--|--------------------|
|   | 2012 %                    | 2011 % |  |                    |
| <b>SUBSIDIARY COMPANIES (Continued)</b>                                     |                           |        |  |                    |
| <b>Subsidiary companies of Bank Muamalat Malaysia Berhad:</b>               |                           |        |  |                    |
| Muamalat Invest Sdn. Bhd.   | 70.00                     | 70.00  | Provision of fund management services  | 31 March           |
| Muamalat Venture Sdn. Bhd.  | 70.00                     | 70.00  | Islamic venture capital  | 31 March           |
| Muamalat Nominees (Tempatan) Sdn. Bhd.                                      | 70.00                     | 70.00  | Dormant  | 31 March           |
| Muamalat Nominees (Asing) Sdn. Bhd.   | 70.00                     | 70.00  | Dormant  | 31 March           |
| <b>Subsidiary companies of HICOM Holdings Berhad:</b>                       |                           |        |  |                    |
| Automotive Corporation Holdings Sdn. Bhd.                                   | 100.00                    | 100.00 | Investment holding   | 31 March           |
| USF-HICOM Holdings Sdn. Bhd.  | 100.00                    | 100.00 | Investment holding   | 31 March           |
| * Glenmarie Puchong Sdn. Bhd.   | 100.00                    | 100.00 | Property development   | 31 March           |
| HICOM Berhad  | 100.00                    | 100.00 | Management of projects, rental of properties and investment holding                            | 31 March           |
| * HICOM Diecastings Sdn. Bhd.   | 100.00                    | 100.00 | Manufacturing and supplying diecast parts for motorcycles, automobiles and other applications  | 31 March           |
| * HICOM Polymers Industry Sdn. Bhd.   | 100.00                    | 100.00 | Distribution of automotive and industrial after-market products                                | 31 March           |
| KL Airport Services Sdn. Bhd.   | 100.00                    | 100.00 | Provision of ground handling, inflight catering, cargo handling and warehousing space services | 31 March           |
| * @ Edaran Otomobil Nasional Berhad ("EON")                                 | 100.00                    | 100.00 | Marketing of PROTON motor vehicles, related spare parts and servicing of vehicles              | 31 March           |
| \$ HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd.                      | 100.00                    | 93.00  | Assembly of motor vehicles and other road transport vehicles                                   | 31 March           |
| \$ * HICOM Auto Sdn. Bhd. (formerly known as Auto Prominence (M) Sdn. Bhd.) | 100.00                    | 100.00 | Sales of motor vehicles, related spare parts and accessories                                   | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company   | Effective Equity Interest |        | Principal Activities   | Financial Year End |
|---|---------------------------|--------|--|--------------------|
|   | 2012 %                    | 2011 % |  |                    |
| <b>SUBSIDIARY COMPANIES (Continued)</b>                           |                           |        |  |                    |
| <b>Subsidiary companies of HICOM Holdings Berhad: (Continued)</b> |                           |        |  |                    |
| Glenmarie Development (Pahang) Sdn. Bhd.                          | <b>100.00</b>             | 100.00 | Property holding   | 31 March           |
| \$ * Proton City Development Corporation Sdn. Bhd.                | <b>100.00</b>             | 60.00  | Property development, civil and building construction  | 31 March           |
| \$ * PHN Industry Sdn. Bhd.                                       | <b>97.50</b>              | 62.50  | Manufacturing stamped metal parts, sub-assembly of automotive components for the motor industry and design and manufacture of dies | 31 March           |
| \$ * HICOM-Potenza Sports Cars Sdn. Bhd.                          | <b>90.00</b>              | 100.00 | Development, manufacture and sale of motor vehicles  | 31 March           |
| * Comtrac Sdn. Bhd.   | <b>70.00</b>              | 70.00  | Construction works and the provision of projects and development management services   | 31 March           |
| * Oriental Summit Industries Sdn. Bhd.                            | <b>70.00</b>              | 70.00  | Contract manufacturing of motorcycle and automobile parts and components   | 31 March           |
| Scott & English (Malaysia) Sdn. Bhd.                              | <b>70.00</b>              | 70.00  | Importation, distribution and servicing of industrial, marine and engineering products   | 31 March           |
| Scott & English Electronics Holdings Sdn. Bhd.                    | <b>70.00</b>              | 70.00  | Investment holding   | 31 March           |
| Alam Flora Sdn. Bhd.  | <b>60.53</b>              | 60.53  | Management of integrated solid waste   | 31 March           |
| * HICOM-Teck See Manufacturing Malaysia Sdn. Bhd.                 | <b>51.00</b>              | 51.00  | Manufacture and sale of thermo plastic and thermo setting products   | 31 March           |
| * HICOM Engineering Sdn. Bhd.                                     | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| * Bukit Kledek Development Sdn. Bhd.                              | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| * NSE Development Sdn. Bhd.                                       | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| * HICOM Technical and Engineering Services Sdn. Bhd.              | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| * HICOM Vertex Sdn. Bhd.  | <b>100.00</b>             | 100.00 | Dormant  | 31 March           |
| * HICOM Petro-Pipes Sdn. Bhd.                                     | <b>51.00</b>              | 51.00  | Dormant  | 31 March           |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company   | Effective Equity Interest |           | Principal Activities   | Financial Year End |
|---|---------------------------|-----------|--|--------------------|
|   | 2012<br>%                 | 2011<br>% |  |                    |
| <b>SUBSIDIARY COMPANIES<br/>(Continued)</b>                                 |                           |           |  |                    |
| <b>Subsidiary companies of PROTON:</b>                                      |                           |           |  |                    |
| \$ * Perusahaan Otomobil Nasional Sdn. Bhd.                                 | 100.00                    | -         | Manufacture, assembly and sales of motor vehicles and related products | 31 March           |
| \$ * Proton Tanjung Malim Sdn. Bhd.   | 100.00                    | -         | Assembly of motor vehicles and related products                        | 31 March           |
| \$ * Proton Marketing Sdn. Bhd.   | 100.00                    | -         | Investment holding   | 31 March           |
| \$ * Lotus Advance Technologies Sdn. Bhd.                                   | 100.00                    | -         | Investment holding   | 31 March           |
| \$ * Proton Hartanah Sdn. Bhd.  | 100.00                    | -         | Investment holding   | 31 March           |
| <b>Subsidiary companies of Perusahaan Otomobil Nasional Sdn. Bhd.:</b>      |                           |           |  |                    |
| \$ * f PT Proton Cikarang Indonesia   | 100.00                    | -         | Dormant  | 31 March           |
| \$ * d Proton Automobiles (China) Limited                                   | 100.00                    | -         | Dormant  | 31 March           |
| <b>Subsidiary companies of Proton Marketing Sdn. Bhd.:</b>                  |                           |           |  |                    |
| \$ * h Proton Cars (UK) Limited   | 100.00                    | -         | Distribution of motor vehicles   | 31 March           |
| \$ * a Proton Cars Australia Pty. Limited                                   | 100.00                    | -         | Importation and distribution of motor vehicles and related spare parts | 31 March           |
| \$ * Proton Edar Sdn. Bhd.  | 100.00                    | -         | Sales of motor vehicles, related spare parts and accessories           | 31 March           |
| \$ * m Proton Motors (Thailand) Co. Limited                                 | 100.00                    | -         | Importation and distribution of motor vehicles and related spare parts | 31 March           |
| \$ * g Proton Motor Pars Co. (Private Joint Stock)                          | 100.00                    | -         | Sales of motor vehicle related spare parts and accessories             | 31 March           |
| \$ * c Proton Cars Benelux NV. SA<br>(under Members' Voluntary Liquidation) | 100.00                    | -         | Dormant  | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |        | Principal Activities   | Financial Year End |
|--|---------------------------|--------|--|--------------------|
|  | 2012 %                    | 2011 % |  |                    |
| <b>SUBSIDIARY COMPANIES (Continued)</b>                              |                           |        |  |                    |
| <b>Subsidiary companies of Lotus Advance Technologies Sdn. Bhd.:</b> |                           |        |  |                    |
| \$ * h Lotus Group International Limited                             | 100.00                    | -      | Investment holding   | 31 March           |
| \$ * Proton Engineering Research Technology Sdn. Bhd.                | 100.00                    | -      | Dormant  | 31 March           |
| <b>Subsidiary company of Proton Hartanah Sdn. Bhd.:</b>              |                           |        |  |                    |
| \$ * Proton Properties Sdn. Bhd.                                     | 100.00                    | -      | Property development and related activities                        | 31 March           |
| <b>Subsidiary company of Proton Cars Australia Pty. Limited:</b>     |                           |        |  |                    |
| \$ * a Lotus Cars Australia Pty. Limited                             | 100.00                    | -      | Dormant  | 31 March           |
| <b>Subsidiary companies of Proton Edar Sdn. Bhd.:</b>                |                           |        |  |                    |
| \$ * k Proton Singapore Pte. Limited                                 | 100.00                    | -      | Sales of motor vehicles, related spare parts and accessories       | 31 March           |
| \$ * f PT Proton Edar Indonesia                                      | 100.00                    | -      | Sales of motor vehicles, related spare parts and accessories       | 31 March           |
| <b>Subsidiary company of Lotus Group International Limited:</b>      |                           |        |  |                    |
| \$ * h Group Lotus Plc   | 100.00                    | -      | Investment holding   | 31 March           |
| <b>Subsidiary companies of Group Lotus Plc:</b>                      |                           |        |  |                    |
| \$ * h Lotus Cars Limited  | 100.00                    | -      | Manufacture of motor vehicles and engineering consultancy services | 31 March           |
| \$ * n Lotus Holdings Inc.   | 100.00                    | -      | Investment holding   | 31 March           |
| \$ * h Lotus Body Engineering Limited                                | 100.00                    | -      | Dormant  | 31 March           |
| \$ * h Lotus Motorsports Limited                                     | 100.00                    | -      | Dormant  | 31 March           |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company   | Effective Equity Interest |           | Principal Activities   | Financial Year End |
|---|---------------------------|-----------|--|--------------------|
|   | 2012<br>%                 | 2011<br>% |  |                    |
| <b>SUBSIDIARY COMPANIES<br/>(Continued)</b>                                 |                           |           |  |                    |
| <b>Subsidiary companies of Lotus Cars Limited:</b>                          |                           |           |  |                    |
| \$ * j Lotus Engineering Company Limited (Shanghai)                         | 100.00                    | -         | Engineering consultancy services                                     | 31 March           |
| \$ * h Lotus Engineering Limited  | 100.00                    | -         | Dormant  | 31 March           |
| \$ * h Lotus Youngman UK Automotive Company Limited                         | 100.00                    | -         | Dormant  | 31 March           |
| <b>Subsidiary company of Lotus Body Engineering Limited:</b>                |                           |           |  |                    |
| \$ * h Lotus Lightweight Structures Holdings Limited                        | 100.00                    | -         | Investment holding   | 31 March           |
| <b>Subsidiary company of Lotus Lightweight Structures Holdings Limited:</b> |                           |           |  |                    |
| \$ * h Lotus Lightweight Structures Limited                                 | 100.00                    | -         | Manufacture of automotive components                                 | 31 March           |
| <b>Subsidiary company of Lotus Engineering Limited:</b>                     |                           |           |  |                    |
| \$ * Lotus Engineering Malaysia Sdn. Bhd.                                   | 100.00                    | -         | Design consultation services for automobile engineering              | 31 March           |
| <b>Subsidiary companies of Lotus Holdings Inc.:</b>                         |                           |           |  |                    |
| \$ * n Lotus Engineering Inc.   | 100.00                    | -         | Engineering consultancy services                                     | 31 March           |
| \$ * n Lotus Cars USA Inc.  | 100.00                    | -         | Sales and servicing of motor vehicles                                | 31 March           |
| <b>Subsidiary company of Automotive Corporation Holdings Sdn. Bhd.:</b>     |                           |           |  |                    |
| * Automotive Corporation (Malaysia) Sdn. Bhd.                               | 100.00                    | 100.00    | Sale of motor vehicles and their related spare parts and accessories | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |        | Principal Activities   | Financial Year End |
|--|---------------------------|--------|--|--------------------|
|  | 2012 %                    | 2011 % |  |                    |
| <b>SUBSIDIARY COMPANIES (Continued)</b>                        |                           |        |  |                    |
| <b>Subsidiary company of USF-HICOM Holdings Sdn. Bhd.:</b>     |                           |        |  |                    |
| * USF-HICOM (Malaysia) Sdn. Bhd.                               | 100.00                    | 100.00 | Sale of motor vehicles and their related spare parts and accessories | 31 March           |
| <b>Subsidiary company of USF-HICOM (Malaysia) Sdn. Bhd.:</b>   |                           |        |  |                    |
| * HICOM Premier Malaysia Sdn. Bhd.                             | 100.00                    | 100.00 | Dormant  | 31 March           |
| <b>Subsidiary company of HICOM Premier Malaysia Sdn. Bhd.:</b> |                           |        |  |                    |
| * Euro Truck & Bus (Malaysia) Sdn. Bhd.                        | 100.00                    | 100.00 | Dormant  | 31 March           |
| <b>Subsidiary companies of HICOM Berhad:</b>                   |                           |        |  |                    |
| Glenmarie Properties Sdn. Bhd.                                 | 100.00                    | 100.00 | Investment holding and provision of management services              | 31 March           |
| HB Property Development Sdn. Bhd.                              | 100.00                    | 100.00 | Property investment  | 31 March           |
| * HICOM Builders Sdn. Bhd.                                     | 100.00                    | 100.00 | Property development, civil engineering and building construction    | 31 March           |
| * Glenmarie Cove Development Sdn. Bhd.                         | 89.50                     | 89.50  | Investment holding and property development                          | 31 March           |
| * Connemara Development Sdn. Bhd.                              | 100.00                    | 100.00 | Dormant  | 31 March           |
| <b>Subsidiary companies of Glenmarie Properties Sdn. Bhd.:</b> |                           |        |  |                    |
| * Benua Kurnia Sdn. Bhd.                                       | 100.00                    | 100.00 | Property development   | 31 March           |
| * Neraca Prisma Sdn. Bhd.                                      | 100.00                    | 100.00 | Property development   | 31 March           |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |           | Principal Activities                                      | Financial Year End |
|--|---------------------------|-----------|---|--------------------|
|  | 2012<br>%                 | 2011<br>% |   |                    |
| <b>SUBSIDIARY COMPANIES<br/>(Continued)</b>  |                           |           |   |                    |
| <b>Subsidiary companies of<br/>Glenmarie Properties<br/>Sdn. Bhd.: (Continued)</b> |                           |           |   |                    |
| HICOM Indungan Sdn. Bhd.   | 100.00                    | 100.00    | Property development                                      | 31 March           |
| Kenyir Splendour Berhad  | 100.00                    | 100.00    | Resort management   | 31 March           |
| * Glenmarie Asset Management<br>Sdn. Bhd.  | 100.00                    | 100.00    | Provision of facility management and maintenance services | 31 March           |
| * HICOM Megah Sdn. Bhd.  | 100.00                    | 100.00    | Investment holding  | 31 March           |
| Puncak Permai Sdn. Bhd.  | 58.00                     | 58.00     | Investment holding  | 31 March           |
| Jubli Premis Sdn. Bhd.   | 100.00                    | 100.00    | Dormant   | 31 March           |
| <b>Subsidiary companies of<br/>HICOM Indungan<br/>Sdn. Bhd.:</b>                   |                           |           |   |                    |
| \$ Rebak Island Marina Berhad  | 100.00                    | 75.00     | Operation of a marina resort and property holding         | 31 March           |
| HICOM Tan & Tan Sdn. Bhd.  | 50.00                     | 50.00     | Dormant   | 31 March           |
| <b>Subsidiary company of<br/>Puncak Permai Sdn. Bhd.:</b>                          |                           |           |   |                    |
| Horsedale Development<br>Berhad  | 70.60                     | 70.60     | Property development, management of hotel and golf resort | 31 March           |
| <b>Subsidiary company of<br/>Horsedale Development<br/>Berhad:</b>                 |                           |           |   |                    |
| Kesturi Hektar Sdn. Bhd.   | 70.60                     | 70.60     | Dormant   | 31 March           |
| <b>Subsidiary company of<br/>HICOM Builders<br/>Sdn. Bhd.:</b>                     |                           |           |   |                    |
| * Imatex Management Services<br>Sdn. Bhd.  | 100.00                    | 100.00    | Dormant   | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |        | Principal Activities   | Financial Year End |
|--|---------------------------|--------|--|--------------------|
|  | 2012 %                    | 2011 % |  |                    |
| <b>SUBSIDIARY COMPANIES (Continued)</b>  |                           |        |  |                    |
| <b>Subsidiary company of HICOM Megah Sdn. Bhd.:</b>                                  |                           |        |  |                    |
| * k Corwin Holding Pte. Ltd.   | 90.00                     | 90.00  | Owner and operator of a shopping mall  | 31 March           |
| <b>Subsidiary company of KL Airport Services Sdn. Bhd.:</b>                          |                           |        |  |                    |
| KLAS Engineering Services Sdn. Bhd.  | 100.00                    | 100.00 | Provision of aircraft maintenance, engineering and custom forwarding agent services                              | 31 March           |
| <b>Subsidiary companies of EON:</b>  |                           |        |  |                    |
| * EON Properties Sdn. Bhd.   | 100.00                    | 100.00 | Investment and management of properties  | 31 March           |
| * Automotive Conversion Engineering Sdn. Bhd.  | 100.00                    | 100.00 | Conversion and modification of motor vehicles and distribution of car accessories                                | 31 March           |
| * Euromobil Sdn. Bhd.  | 100.00                    | 100.00 | Import, distribution and marketing of vehicles and related spare parts and accessories and servicing of vehicles | 31 March           |
| * EON Auto Mart Sdn. Bhd.  | 100.00                    | 100.00 | Sale of motor vehicles and related spare parts and servicing of vehicles   | 31 March           |
| \$ * DRB-HICOM Leasing Sdn. Bhd.<br><i>(formerly known as EON Inovasi Sdn. Bhd.)</i> | 100.00                    | 100.00 | Dormant  | 31 March           |
| \$ * Multi Automotive Service and Assist Sdn. Bhd.                                   | 70.00                     | 55.00  | Providing of emergency roadside vehicle assistance and supply of auto related products and services              | 31 March           |
| * EONMobil Sdn. Bhd.   | 100.00                    | 100.00 | Dormant  | 31 March           |
| * EON Trading Sdn. Bhd.  | 100.00                    | 100.00 | Dormant  | 31 March           |
| * EON Technologies Sdn. Bhd.   | 100.00                    | 100.00 | Dormant  | 31 March           |
| <b>Subsidiary company of EON Technologies Sdn. Bhd.:</b>                             |                           |        |  |                    |
| * EON Network Systems Sdn. Bhd.  | 100.00                    | 100.00 | Dormant  | 31 March           |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |           | Principal Activities   | Financial Year End |
|--|---------------------------|-----------|--|--------------------|
|  | 2012<br>%                 | 2011<br>% |  |                    |
| <b>SUBSIDIARY COMPANIES<br/>(Continued)</b>                                      |                           |           |  |                    |
| <b>Subsidiary companies of<br/>Comtrac Sdn. Bhd.:</b>                            |                           |           |  |                    |
| * Comtrac Trading Sdn. Bhd.  | <b>70.00</b>              | 70.00     | Trading of construction materials  | 31 March           |
| * Comtrac Builders Sdn. Bhd.   | <b>70.00</b>              | 70.00     | Supply, installation and construction of precast building works, manufacturing, supply and installation of precast component and provision of upgrading and renovation works | 31 March           |
| * Comtrac-Sabkar Development Sdn. Bhd.   | <b>35.70</b>              | 35.70     | Construction works and property development  | 31 March           |
| * Comtrac Glenview Sdn. Bhd.   | <b>35.70</b>              | 35.70     | Investment holding, property development and property management services  | 31 March           |
| * Comtrac Development Sdn. Bhd.  | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * Comtrac Premises Sdn. Bhd.   | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * Isti-Emas Sdn. Bhd.  | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * Stagwell Sdn. Bhd.   | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| <b>Subsidiary company of<br/>Comtrac Glenview<br/>Sdn. Bhd.:</b>                 |                           |           |  |                    |
| * Glenview Management Corporation Sdn. Bhd.                                      | <b>35.70</b>              | 35.70     | Property management  | 31 March           |
| <b>Subsidiary companies of<br/>Oriental Summit<br/>Industries Sdn. Bhd.:</b>     |                           |           |  |                    |
| * Automotive Components Engineering Centre Sdn. Bhd.                             | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| <b>Subsidiary companies of<br/>Scott &amp; English<br/>(Malaysia) Sdn. Bhd.:</b> |                           |           |  |                    |
| HICOM United Leasing Sdn. Bhd.   | <b>70.00</b>              | 70.00     | Sales, servicing and rental of machinery and equipment   | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |           | Principal Activities   | Financial Year End |
|--|---------------------------|-----------|--|--------------------|
|  | 2012<br>%                 | 2011<br>% |  |                    |
| <b>SUBSIDIARY COMPANIES<br/>(Continued)</b>  |                           |           |  |                    |
| <b>Subsidiary companies of<br/>Scott &amp; English<br/>(Malaysia) Sdn. Bhd.:<br/>(Continued)</b> |                           |           |  |                    |
| Scott & English Trading<br>(Sarawak) Sdn. Bhd.   | <b>35.70</b>              | 35.70     | Trading of heavy machinery and equipment, spare parts and electrical appliances            | 31 March           |
| * i Myanmar Scott & English<br>Company Limited   | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * e Scott & English (Cambodia)<br>Limited<br><i>(under voluntary liquidation)</i>                | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| <b>Subsidiary company of<br/>HICOM-Teck See<br/>Manufacturing<br/>Malaysia Sdn. Bhd.:</b>        |                           |           |  |                    |
| <sup>m</sup> HICOM Automotive Plastics<br>(Thailand) Ltd.  | <b>50.99</b>              | 50.99     | Manufacture of plastic injected parts and plastic injection moulds for automotive industry | 31 March           |
| <b>Subsidiary companies of<br/>Intrakota Komposit<br/>Sdn. Bhd.:</b>                             |                           |           |  |                    |
| * S.J. Kenderaan Sdn. Bhd.   | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * Mega Komposit Auto Sdn. Bhd.   | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * Gemilang Komposit Auto<br>Sdn. Bhd.  | <b>70.00</b>              | 70.00     | Dormant  | 31 March           |
| * Syarikat Pengangkutan<br>Malaysia Sendirian Berhad   | <b>69.99</b>              | 69.99     | Dormant  | 31 March           |
| * Intrakota Consolidated Berhad  | <b>47.34</b>              | 47.34     | Dormant  | 31 March           |
| * S.J. Binateknik Sdn. Bhd.  | <b>42.00</b>              | 42.00     | Dormant  | 31 March           |
| <sup>\$</sup> * Toong Fong Omnibus<br>Company Sendirian Berhad                                   | -                         | 39.06     | Dormant  | 31 March           |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company   | Effective Equity Interest |        | Principal Activities  | Financial Year End |
|---|---------------------------|--------|---|--------------------|
|   | 2012 %                    | 2011 % |   |                    |
| <b>JOINTLY CONTROLLED ENTITIES</b>                                |                           |        |   |                    |
| <b>Jointly controlled entity of DRB-HICOM Berhad:</b>             |                           |        |   |                    |
| Isuzu Malaysia Sdn. Bhd.  | <b>49.00</b>              | 49.00  | Importation, assembly and distribution of motor vehicles, components and parts  | 31 December        |
| <b>Jointly controlled entities of HICOM Holdings Berhad:</b>      |                           |        |   |                    |
| HICOM-HONDA Manufacturing Malaysia Sdn. Bhd.                      | <b>48.00</b>              | 48.00  | Manufacture and assembly of motorcycle engines and components   | 31 March           |
| HICOM-YAMAHA Manufacturing Malaysia Sdn. Bhd.                     | <b>45.00</b>              | 45.00  | Manufacture and assembly of motorcycle engines and parts  | 31 March           |
| * b MBM Alam Flora W.L.L.   | <b>48.00</b>              | 48.00  | Dormant   | 31 December        |
| <b>Jointly controlled entity of Group Lotus Plc:</b>              |                           |        |   |                    |
| \$ * h Lotus Finance Limited                                      | <b>49.90</b>              | -      | Provision of motor vehicles financing   | 31 December        |
| <b>Jointly controlled entity of Proton Edar Sdn. Bhd.:</b>        |                           |        |   |                    |
| \$ * h Proton Commerce Sdn. Bhd.                                  | <b>50.00</b>              | -      | Development, management and marketing of hire purchase or leasing facilities in respect of the purchase or use of PROTON and other vehicles | 31 March           |
| <b>Jointly controlled entity of EON:</b>                          |                           |        |   |                    |
| * Mitsubishi Motors Malaysia Sdn. Bhd.                            | <b>48.00</b>              | 48.00  | Distribution of motor vehicles, vehicle components, spare parts and accessories   | 31 March           |
| <b>Jointly controlled entity of Horsedale Development Berhad:</b> |                           |        |   |                    |
| HICOM-Gamuda Development Sdn. Bhd.                                | <b>35.30</b>              | 35.30  | Housing and property development and rental of properties   | 31 March           |

### 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |           | Principal Activities  | Financial Year End |
|--|---------------------------|-----------|---|--------------------|
|  | 2012<br>%                 | 2011<br>% |   |                    |
| <b>JOINTLY CONTROLLED ENTITIES (Continued)</b>   |                           |           |   |                    |
| <b>Jointly controlled entity of Lotus Advance Technologies Sdn. Bhd.:</b>  |                           |           |   |                    |
| \$ * Miyazu (Malaysia) Sdn. Bhd.   | <b>66.00</b>              | -         | Development, manufacturing and sale of products and services relating to dies, moulds and jigs  | 31 March           |
| <b>ASSOCIATED COMPANIES</b>  |                           |           |   |                    |
| <b>Associated companies of DRB-HICOM Berhad:</b>   |                           |           |   |                    |
| * Suzuki Malaysia Automobile Sdn.Bhd.  | <b>40.00</b>              | 40.00     | Assembly and sale of motor vehicles, accessories and components   | 31 March           |
| * Honda Malaysia Sdn. Bhd.   | <b>34.00</b>              | 34.00     | Assembly, manufacture and sale of motor vehicles, accessories and components  | 31 March           |
| \$ * @ POS Malaysia Berhad   | <b>32.21</b>              | -         | Provision of national postal service including telecommunication services   | 31 March           |
| * HICOM-Chevrolet Sdn. Bhd.<br><i>(under voluntary liquidation)</i>  | <b>49.00</b>              | 49.00     | Dormant   | 31 December        |
| Marak Unggul Sdn. Bhd.   | <b>29.99</b>              | 29.99     | Dormant   | 31 December        |
| <b>Associated companies of HICOM Holdings Berhad:</b>  |                           |           |   |                    |
| ISUZU HICOM Malaysia Sdn. Bhd.   | <b>49.00</b>              | 49.00     | Manufacturing, assembly and sale of commercial vehicles   | 31 March           |
| Midea Scott & English Electronics Sdn. Bhd.  | <b>30.00</b>              | 30.00     | Trading in consumer electrical and electronics household products   | 31 December        |
| * Suzuki Motorcycle Malaysia Sdn. Bhd.   | <b>29.00</b>              | 29.00     | Investment holding and manufacture, assembly and distribution of motorcycles and parts  | 31 December        |
| \$ Niro Ceramic (M) Sdn. Bhd.  | <b>21.01</b>              | 21.58     | Manufacturing and trading of ceramic tiles  | 31 December        |
| ∞ THK Rhythm Malaysia Sdn. Bhd.<br><i>(formerly known as TRW Steering &amp; Suspension (Malaysia) Sdn. Bhd.)</i> | <b>20.00</b>              | 20.00     | Manufacturing and sale of automobile tierods, tierod ends and suspension ball joints, stabilizer links, steering linkages and power steering gear | 31 December        |
| \$ ZF Steerings (Malaysia) Sdn. Bhd.   | -                         | 30.00     | Manufacture and assembly of mechanical and power rack and pinion steering systems   | 31 December        |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 3 COMPANIES IN THE GROUP (CONTINUED)

| Name of Company  | Effective Equity Interest |           | Principal Activities   | Financial Year End |
|--|---------------------------|-----------|--|--------------------|
|  | 2012<br>%                 | 2011<br>% |  |                    |
| <b>ASSOCIATED COMPANIES<br/>(Continued)</b>                          |                           |           |  |                    |
| <b>Associated companies of PROTON:</b>                               |                           |           |  |                    |
| \$ * Marutech Elastomer Industries Sdn. Bhd.                         | 25.00                     | -         | Manufacturing of automotive parts  | 31 March           |
| \$ * Exedy (Malaysia) Sdn. Bhd.                                      | 45.00                     | -         | Manufacturing of car manual clutches, springs and related parts  | 31 December        |
| <b>Associated company of Perusahaan Otomobil Nasional Sdn. Bhd.:</b> |                           |           |  |                    |
| \$ * i Vina Star Motors Corporation                                  | 25.00                     | -         | Assembly, manufacturing, maintenance and repairing of automobiles as well as the supply of automobile parts and importation of <i>completely-built-up</i> (CBU) cars | 31 December        |
| <b>Associated company of Proton Cars (UK) Limited:</b>               |                           |           |  |                    |
| \$ * h Proton Finance Limited  | 49.99                     | -         | Provision of dealer and customer financing   | 31 December        |
| <b>Associated company of Proton Edar Sdn. Bhd.:</b>                  |                           |           |  |                    |
| \$ * Netstar Advanced Systems Sdn. Bhd.                              | 40.00                     | -         | Advanced security network provider for stolen vehicle tracking and monitoring services for general motorists and fuel operators                                      | 31 December        |
| <b>Associated company of Proton Automobiles (China) Limited:</b>     |                           |           |  |                    |
| \$ * j Goldstar Proton Automobiles Co. Limited                       | 49.00                     | -         | Dormant  | 31 December        |
| <b>Associated companies of EON:</b>                                  |                           |           |  |                    |
| * SRT-EON Security Services Sdn. Bhd.                                | 40.00                     | 40.00     | Provision of security services   | 30 June            |
| * Johnson Controls Automotive Holding (M) Sdn. Bhd.                  | 30.00                     | 30.00     | Manufacturing of car seats, seat paddings, steering wheels, and other car interior parts, investment holding and property letting                                    | 30 September       |

### 3 COMPANIES IN THE GROUP (CONTINUED)

- \$ The changes in the effective equity interest in these companies in the Group are as disclosed in Notes 52 and 53.
- \* These companies in the Group are audited by other firms of auditors other than Ernst & Young, Malaysia and member firms of Ernst & Young Global.
- ∞ Entity classified as assets held for sale.
- @ All shares in the Company have been pledged for banking facilities as disclosed in Note 37.
- a The country of incorporation is Australia.
- b The country of incorporation is Bahrain.
- c The country of incorporation is Belgium.
- d The country of incorporation is British Virgin Islands.
- e The country of incorporation is Cambodia.
- f The country of incorporation is Indonesia.
- g The country of incorporation is Iran.
- h The country of incorporation is England.
- i The country of incorporation is Myanmar.
- j The country of incorporation is People's Republic of China.
- k The country of incorporation is Singapore.
- l The country of incorporation is Socialist Republic of Vietnam.
- m The country of incorporation is Thailand.
- n The country of incorporation is United States of America.

All the other companies are incorporated in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 4 REVENUE

|   | Group            |                | Company        |                |
|---|------------------|----------------|----------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Sale of goods   | <b>3,732,366</b> | 3,963,265      | -              | -              |
| Rendering of services   | <b>1,500,240</b> | 1,572,438      | -              | -              |
| Banking   | <b>886,529</b>   | 822,445        | -              | -              |
| Insurance business  | <b>420,062</b>   | 401,109        | -              | -              |
| Sale of land and development properties   | <b>159,092</b>   | 36,703         | -              | -              |
| Construction contracts  | <b>179,916</b>   | 8,104          | -              | -              |
| Dividend income from subsidiary companies, associated companies and a jointly controlled entity (gross) | -                | -              | <b>383,420</b> | 454,680        |
| Interest income from subsidiary companies   | -                | -              | <b>32,786</b>  | 33,407         |
| Rental income from subsidiary companies and an associated company                                       | -                | -              | <b>12,113</b>  | 12,226         |
|   | <b>6,878,205</b> | 6,804,064      | <b>428,319</b> | 500,313        |

### 5 COST OF SALES

|   | Group            |                |
|---|------------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 |
| Cost of inventories                       | <b>3,260,678</b> | 3,493,834      |
| Cost of services rendered                 | <b>1,147,879</b> | 1,199,857      |
| Cost of banking                           | <b>422,054</b>   | 387,570        |
| Cost of insurance business                | <b>354,779</b>   | 345,696        |
| Cost of contract and property development | <b>282,063</b>   | 38,098         |
|   | <b>5,467,453</b> | 5,465,055      |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

|  | Note  | Group           |                | Company          |                |
|--|-------|-----------------|----------------|------------------|----------------|
|  |       | 2012<br>RM'000  | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| Allowance for/(write back of)/ write off of investment securities and financing of customers (net) |       | <b>30,433</b>   | 61,778         | -                | -              |
| Amortisation of  |       |                 |                |                  |                |
| - concession assets  | 14    | <b>10,284</b>   | -              | -                | -              |
| - intangible assets  | 21    | <b>27,201</b>   | 21,427         | -                | -              |
| - prepaid lease properties   | 15    | <b>433</b>      | 558            | -                | -              |
| Auditors' remuneration   |       |                 |                |                  |                |
| - current year   |       | <b>2,481</b>    | 2,144          | <b>190</b>       | 150            |
| - under provision in prior year  |       | <b>98</b>       | 57             | -                | 10             |
| Depreciation of property, plant and equipment  | 13    | <b>178,725</b>  | 145,439        | <b>377</b>       | 418            |
| Directors' emoluments  | 7     | <b>9,511</b>    | 7,567          | <b>820</b>       | 798            |
| Impairment losses of   |       |                 |                |                  |                |
| - land held for property development   | 17(b) | -               | 1,044          | -                | -              |
| - assets held for sale   |       | -               | 1,960          | -                | -              |
| Inventories written off/down (net of write backs)  |       | <b>3,593</b>    | 9,258          | -                | -              |
| Loss/(gain) on fair value adjustment of  |       |                 |                |                  |                |
| - investment properties  | 16    | <b>58</b>       | (2,553)        | <b>3,539</b>     | 5,374          |
| - investment securities: financial assets at fair value through profit or loss                     |       | <b>180</b>      | (26,791)       | -                | -              |
| Loss/(gain) on disposal of investment properties   |       | <b>60</b>       | (19)           | -                | -              |
| Marked to market loss/(gain) on derivatives (net)  |       | <b>19,321</b>   | (6,760)        | -                | -              |
| Provision for/(write back of) liabilities and charges (net)  | 38    | <b>2,076</b>    | 2,216          | -                | -              |
| Rental of plant and machinery and equipment  |       | <b>19,881</b>   | 16,084         | -                | -              |
| Rental of premises   |       | <b>47,835</b>   | 37,702         | -                | -              |
| Staff costs  | 8     | <b>898,617</b>  | 777,652        | -                | -              |
| Write off of property, plant and equipment   | 13    | <b>34,933</b>   | 1,980          | -                | -              |
| Amortisation of deferred income  | 36    | <b>(1,513)</b>  | (5,406)        | -                | -              |
| Dividend income (gross)  |       |                 |                |                  |                |
| - quoted   |       | <b>(3,920)</b>  | (1,125)        | -                | -              |
| - unquoted   |       | <b>(1,124)</b>  | (2,107)        | <b>(383,420)</b> | (454,680)      |
| Doubtful debts (net of write backs)  |       | <b>(13,454)</b> | 38,212         | -                | (11)           |
| Gain on disposal of investment securities:   |       |                 |                |                  |                |
| - available-for-sale   |       | <b>(23,808)</b> | (3,176)        | -                | -              |
| - financial assets at fair value through profit or loss  |       | <b>(2,591)</b>  | (12,821)       | -                | -              |
| Gain on disposal of  |       |                 |                |                  |                |
| - property, plant and equipment  |       | <b>(1,790)</b>  | (5,427)        | -                | (1)            |
| - prepaid lease properties   |       | <b>(316)</b>    | -              | -                | -              |
| - shares of a subsidiary company   |       | <b>(80)</b>     | -              | -                | -              |
| - assets held for sale   |       | <b>(30)</b>     | -              | -                | -              |
| Gain on dilution of shares in an associated company  |       | -               | (570)          | -                | -              |
| Interest income on   |       |                 |                |                  |                |
| - short term deposits  |       | <b>(52,051)</b> | (38,495)       | <b>(8,033)</b>   | (2,879)        |
| - subsidiary companies   |       | -               | -              | <b>(32,786)</b>  | (33,407)       |
| Insurance claims   |       | <b>(31,214)</b> | -              | -                | -              |
| Net realised foreign exchange differences  |       | <b>(6,582)</b>  | 3,292          | -                | -              |
| Net unrealised foreign exchange differences  |       | <b>(12,694)</b> | (14,012)       | -                | -              |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 6 PROFIT BEFORE TAXATION (CONTINUED)

Profit before taxation is arrived at after charging/(crediting) the following: (Continued)

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Rental income of premises  |      | (24,770)       | (24,689)       | (12,113)       | (12,226)       |
| Rental income of plant and machinery<br>and equipment                |      | (313)          | (320)          | -              | -              |
| (Reversal of)/ impairment loss of<br>- property, plant and equipment | 13   | (2,707)        | 20,004         | -              | -              |
| - investment securities: available-for-sale                          |      | (29,540)       | (42,197)       | -              | -              |

### 7 DIRECTORS' EMOLUMENTS

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Non-executive Directors:                                 |                |                |                |                |
| - fees   | 797            | 815            | 685            | 685            |
| - allowances and other benefits                          | 1,181          | 1,160          | 135            | 113            |
| Executive Director:                                      |                |                |                |                |
| - salaries, bonuses, fees, allowances and other benefits | 6,522          | 4,855          | -              | -              |
| - defined contribution plan                              | 1,011          | 737            | -              | -              |
|  | <b>9,511</b>   | <b>7,567</b>   | <b>820</b>     | <b>798</b>     |

The estimated value of benefits-in-kind received by Directors amounted to RM34,000 (2011: RM60,000).

### 8 STAFF COSTS

|   | Note | Group          |                |
|---|------|----------------|----------------|
|   |      | 2012<br>RM'000 | 2011<br>RM'000 |
| Salaries, wages, bonuses, allowances and other benefits |      | 818,987        | 701,170        |
| Defined contribution plan                               |      | 77,853         | 74,481         |
| Defined benefit plan                                    | 51   | 1,212          | 994            |
| Termination benefits                                    |      | 565            | 1,007          |
|   |      | <b>898,617</b> | <b>777,652</b> |

## 9 FINANCE COSTS

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Interest expense on borrowings          | 111,738        | 69,939         | 61,018         | 26,175         |
| Hire purchase and finance lease charges | 1,475          | 1,160          | -              | -              |
| Other finance charges                   | 33,279         | -              | 18,577         | 236            |
| Unwinding of discount                   | 6,444          | 6,989          | 318            | 588            |
|   | <b>152,936</b> | 78,088         | <b>79,913</b>  | 26,999         |

## 10 TAXATION

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>Statement of comprehensive income:</b>                         |      |                |                |                |                |
| Malaysian income tax:   |      |                |                |                |                |
| Current taxation  |      | 173,888        | 132,389        | 5,812          | 46,114         |
| Deferred taxation   | 22   | (2,043)        | 2,564          | 744            | 1,177          |
| Foreign tax:  |      |                |                |                |                |
| Current taxation  |      | 34             | 79             | -              | -              |
|   |      | <b>171,879</b> | 135,032        | <b>6,556</b>   | 47,291         |
| Arising in Malaysia:  |      |                |                |                |                |
| Over provision of taxation in respect of prior financial year     |      | (23,860)       | (3,714)        | (1,978)        | (549)          |
| Income tax expense recognised in profit or loss                   |      | <b>148,019</b> | 131,318        | <b>4,578</b>   | 46,742         |
| <b>Deferred income tax related to other comprehensive income:</b> |      |                |                |                |                |
| Deferred taxation   | 22   | (6,263)        | 6,492          | -              | -              |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 10 TAXATION (CONTINUED)

|   | Group            |                | Company         |                |
|---|------------------|----------------|-----------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000  | 2011<br>RM'000 |
| The explanation of the relationship between taxation charge and profit before taxation is as follows: |                  |                |                 |                |
| Numerical reconciliation of effective taxation charge   |                  |                |                 |                |
| Profit before taxation  | <b>1,521,102</b> | 701,524        | <b>321,661</b>  | 433,829        |
| Tax calculated at the Malaysian tax rate of 25% (2011: 25%)   | <b>380,276</b>   | 175,381        | <b>80,415</b>   | 108,457        |
| Tax effects of:   |                  |                |                 |                |
| - share of results of jointly controlled entities   | <b>(27,207)</b>  | (25,261)       | -               | -              |
| - share of results of associated companies  | <b>(22,966)</b>  | (44,752)       | -               | -              |
| - expenses not deductible for tax purposes  | <b>62,301</b>    | 68,502         | <b>10,618</b>   | 7,499          |
| - income not subject to tax   | <b>(251,326)</b> | (44,652)       | <b>(84,477)</b> | (68,665)       |
| - tax losses/temporary differences not recognised   | <b>31,182</b>    | 7,842          | -               | -              |
| - different tax rates   | <b>(83)</b>      | 4,555          | -               | -              |
| - utilisation of previously unrecognised tax losses   | <b>(298)</b>     | (6,583)        | -               | -              |
| Over provision of taxation in respect of prior financial year   | <b>(23,860)</b>  | (3,714)        | <b>(1,978)</b>  | (549)          |
| Taxation charge   | <b>148,019</b>   | 131,318        | <b>4,578</b>    | 46,742         |

Unabsorbed tax losses, unutilised capital allowances, unutilised investment tax allowances and unutilised reinvestment allowances of the Group which are available for set-off against future chargeable income for which the tax effects have not been recognised in the financial statements are shown below:

|                                      | Group            |                |
|--------------------------------------|------------------|----------------|
|                                      | 2012<br>RM'000   | 2011<br>RM'000 |
| Unabsorbed tax losses                | <b>1,159,258</b> | 1,112,499      |
| Unutilised capital allowances        | <b>642,738</b>   | 257,370        |
| Unutilised investment tax allowances | <b>42,287</b>    | 42,287         |
| Unutilised reinvestment allowances   | <b>626,711</b>   | 121,701        |

## 11 DIVIDENDS

Dividends paid, declared and proposed are as follows:

|  | <b>Group and Company</b> |                        |
|--|--------------------------|------------------------|
|  | <b>2012<br/>RM'000</b>   | <b>2011<br/>RM'000</b> |
| <b>Dividend paid</b>   |                          |                        |
| In respect of the financial year ended 31 March 2011:  |                          |                        |
| Final gross dividend of 4.0 sen (2010: Final gross dividend of 2.5 sen) per share,<br>less taxation of 25% (2010: 25%)     | <b>57,997</b>            | 36,248                 |
| In respect of the financial year ended 31 March 2012:  |                          |                        |
| Interim gross dividend of 2.0 sen (2011: Interim gross dividend of 2.0 sen) per share,<br>less taxation of 25% (2011: 25%) | <b>28,999</b>            | 28,999                 |

At the forthcoming Annual General Meeting of the Company, a final gross dividend in respect of the financial year ended 31 March 2012 of 4.0 sen (2011: 4.0 sen) per share less taxation of 25% (2011: 25%), amounting to RM57,997,112 (2011: RM57,997,112) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be paid in the financial year ending 31 March 2013 when approved by shareholders.

## 12 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group's net profit attributable to owners of the Company by the number of shares in issue during the financial year.

|   | <b>Group</b>           |                        |
|---|------------------------|------------------------|
|   | <b>2012<br/>RM'000</b> | <b>2011<br/>RM'000</b> |
| Net profit attributable to owners of the Company (RM'000) | <b>1,292,988</b>       | 472,468                |
| Number of ordinary shares in issue ('000)                 | <b>1,933,237</b>       | 1,933,237              |
| Basic earnings per share (sen)                            | <b>66.88</b>           | 24.44                  |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 13 PROPERTY, PLANT AND EQUIPMENT

|  | Note     | Freehold land<br>RM'000 | Short term leasehold land<br>RM'000 | Long term leasehold land<br>RM'000 | Buildings, golf course and improvements<br>RM'000 | Plant and machinery<br>RM'000 | Motor vehicles<br>RM'000 | Office equipment<br>RM'000 | Furniture and fittings<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|--|----------|-------------------------|-------------------------------------|------------------------------------|---|-------------------------------|--------------------------|----------------------------|----------------------------------|------------------------------------|-----------------|
| <b>GROUP 2012</b>  |          |                         |                                     |                                    |   |                               |                          |                            |                                  |                                    |                 |
| At 1 April 2011  |          | 306,904                 | 6,775                               | 58,184                             | 931,525   | 300,488                       | 22,750                   | 102,685                    | 36,126                           | 75,260                             | 1,840,697       |
| Acquisition of a subsidiary company                                    | 52(i)(g) | 225,611                 | -                                   | 9,468                              | 820,867   | 740,727                       | 44,728                   | 278,782                    | 6,932                            | 536,523                            | 2,663,638       |
| Additions  | 34       | (267)                   | -                                   | 3                                  | 12,220  | 21,150                        | 8,172                    | 40,952                     | 10,661                           | 157,939                            | 257,131         |
| Disposals  | 6        | -                       | -                                   | -                                  | (232)   | (596)                         | (1,316)                  | (76)                       | (12)                             | -                                  | (2,495)         |
| Written off  | 6        | -                       | -                                   | -                                  | (2,862)   | (254)                         | (46)                     | (120)                      | (55)                             | (31,596)                           | (34,933)        |
| Depreciation charge (Impairment losses)/ reversal of impairment losses | 6        | -                       | (103)                               | (684)                              | (34,384)  | (88,016)                      | (6,457)                  | (37,059)                   | (11,425)                         | (597)                              | (178,725)       |
| Currency translation differences                                       | 6        | 200                     | -                                   | (22)                               | 985   | 1,436                         | 164                      | (27)                       | (29)                             | -                                  | 2,707           |
| Reclassification   |          | (13)                    | -                                   | -                                  | (36)  | (5,876)                       | -                        | (1)                        | (3)                              | -                                  | (5,929)         |
| Transfers from/(to) investment properties                              | 16       | 3,052                   | -                                   | (14,330)                           | 57,274  | 34,548                        | (17)                     | 4,397                      | 10,186                           | (95,110)                           | -               |
| Transfers to concession assets   | 14       | (234)                   | -                                   | -                                  | 5,000   | -                             | -                        | -                          | -                                | -                                  | 4,766           |
| Transfers to intangible assets   | 21       | -                       | -                                   | -                                  | -   | (36,215)                      | (389)                    | -                          | -                                | -                                  | (36,604)        |
| Transfers from/(to) inventories  |          | -                       | -                                   | -                                  | -   | -                             | 349                      | (209)                      | -                                | -                                  | (209)           |
| At 31 March 2012   |          | 535,287                 | 6,672                               | 52,619                             | 1,790,357   | 973,392                       | 67,938                   | 388,259                    | 52,381                           | 642,419                            | 4,509,324       |
| Cost   |          | 551,627                 | 8,634                               | 62,618                             | 3,140,906   | 5,806,720                     | 116,702                  | 1,632,140                  | 278,562                          | 652,430                            | 12,250,339      |
| Accumulated depreciation   |          | -                       | (1,962)                             | (9,977)                            | (1,159,901)                                       | (4,534,629)                   | (48,753)                 | (1,243,016)                | (225,145)                        | (10,011)                           | (7,233,394)     |
| Accumulated impairment losses  |          | (16,340)                | -                                   | (22)                               | (190,648)   | (298,699)                     | (11)                     | (865)                      | (1,036)                          | -                                  | (507,621)       |
| Net book value   |          | 535,287                 | 6,672                               | 52,619                             | 1,790,357   | 973,392                       | 67,938                   | 388,259                    | 52,381                           | 642,419                            | 4,509,324       |

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| GROUP<br>2011                                | Note | Freehold<br>land<br>RM'000 | Short term<br>leasehold<br>land<br>RM'000 | Long term<br>leasehold<br>land<br>RM'000 | Buildings,<br>golf course<br>and<br>improvements |             |          | Plant and<br>machinery<br>RM'000 | Motor<br>vehicles<br>RM'000 | Office<br>equipment<br>RM'000 | Furniture<br>and<br>fittings<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|------|----------------------------|---|--|--|-------------|----------|----------------------------------|-----------------------------|-------------------------------|--|---|-----------------|
|  |      |                            |   |  | RM'000   | RM'000      | RM'000   |                                  |                             |                               |  |   |                 |
| At 1 April 2010                              |      | 311,642                    | -   | -  | 921,227  | 333,499     | 1,7750   | 98,867                           | 33,582                      | 59,547                        | 1,776,114                              |   |                 |
| Effect of adopting<br>FRS 117:               |      |                            |   |  |  |             |          |                                  |                             |                               |  |   |                 |
| - Transfer from prepaid<br>lease properties  | 15   | -                          | 6,898                                     | 46,068                                   | -  | -           | -        | -                                | -                           | -                             | 52,966                                 |   |                 |
| Effect of adopting<br>FRS 139                |      | -                          | -   | -  | (7,081)  | -           | -        | -                                | -                           | -                             | (7,081)                                |   |                 |
| As restated                                  |      | 311,642                    | 6,898                                     | 46,068                                   | 914,146  | 333,499     | 1,7750   | 98,867                           | 33,582                      | 59,547                        | 1,821,999                              |   |                 |
| Additions                                    |      | 2,118                      | -   | 13,966                                   | 23,007   | 24,091      | 10,985   | 34,619                           | 6,256                       | 64,134                        | 179,176                                |   |                 |
| Disposals                                    |      | (95)                       | -   | -  | (135)  | (2,222)     | (1,087)  | (137)                            | (86)                        | -                             | (3,762)                                |   |                 |
| Written off                                  | 6    | -                          | -   | -  | (428)  | (646)       | (111)    | (41)                             | (133)                       | (621)                         | (1,980)                                |   |                 |
| Depreciation charge                          | 6    | -                          | (123)                                     | (751)                                    | (29,079)   | (67,050)    | (4,682)  | (33,258)                         | (10,496)                    | -                             | (145,439)                              |   |                 |
| Impairment losses                            | 6    | -                          | -   | -  | (12,639)   | (6,008)     | (105)    | (538)                            | (714)                       | -                             | (20,004)                               |   |                 |
| Currency translation<br>differences          |      | (284)                      | -   | -  | (721)  | (1,171)     | -        | (9)                              | (1)                         | -                             | (2,186)                                |   |                 |
| Reclassification                             |      | -                          | -   | -  | 13,824   | 19,995      | -        | 6,146                            | 7,727                       | (47,692)                      | -                                      |   |                 |
| Transfers from/(to)<br>investment properties | 16   | -                          | -   | (1,099)                                  | 28,280   | -           | -        | -                                | -                           | -                             | 27,181                                 |   |                 |
| Transfers to intangible<br>assets            | 21   | -                          | -   | -  | -  | -           | -        | (2,190)                          | -                           | -                             | (2,190)                                |   |                 |
| Transfers to inventories                     |      | (6,477)                    | -   | -  | (4,730)  | -           | -        | (774)                            | -                           | -                             | (11,981)                               |   |                 |
| Transfers to receivables                     |      | -                          | -   | -  | -  | -           | -        | -                                | (9)                         | (108)                         | (117)                                  |   |                 |
| At 31 March 2011                             |      | 306,904                    | 6,775                                     | 58,184                                   | 931,525  | 300,488     | 22,750   | 102,685                          | 36,126                      | 75,260                        | 1,840,697                              |   |                 |
| Cost   |      | 323,445                    | 8,634                                     | 66,138                                   | 1,598,954  | 1,339,443   | 53,293   | 491,702                          | 207,701                     | 75,260                        | 4,164,570                              |   |                 |
| Accumulated<br>depreciation                  |      | -                          | (1,859)                                   | (7,954)                                  | (475,814)  | (1,020,140) | (30,437) | (387,334)                        | (170,568)                   | -                             | (2,094,106)                            |   |                 |
| Accumulated<br>impairment losses             |      | (16,541)                   | -   | -  | (191,615)  | (18,815)    | (106)    | (1,683)                          | (1,007)                     | -                             | (229,767)                              |   |                 |
| Net book value                               |      | 306,904                    | 6,775                                     | 58,184                                   | 931,525  | 300,488     | 22,750   | 102,685                          | 36,126                      | 75,260                        | 1,840,697                              |   |                 |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|                          | Note | Freehold land<br>RM'000 | Buildings-in-progress<br>RM'000 | Plant and machinery<br>RM'000 | Motor vehicles<br>RM'000 | Office equipment<br>RM'000 | Furniture and fittings<br>RM'000 | Total<br>RM'000 |
|--------------------------|------|-------------------------|---------------------------------|-------------------------------|--------------------------|----------------------------|----------------------------------|-----------------|
| <b>COMPANY</b>           |      |                         |                                 |                               |                          |                            |                                  |                 |
| <b>2012</b>              |      |                         |                                 |                               |                          |                            |                                  |                 |
| At 1 April 2011          |      | 3,134                   | -                               | 1,200                         | 326                      | 306                        | 37                               | 5,003           |
| Additions                |      | 34                      | 10,674                          | -                             | -                        | -                          | -                                | 10,708          |
| Depreciation charge      | 6    | -                       | -                               | (200)                         | (100)                    | (40)                       | (37)                             | (377)           |
| At 31 March 2012         |      | 3,168                   | 10,674                          | 1,000                         | 226                      | 266                        | -                                | 15,334          |
| Cost                     |      | 3,168                   | 10,674                          | 12,154                        | 525                      | 1,176                      | 734                              | 28,431          |
| Accumulated depreciation |      | -                       | -                               | (11,154)                      | (299)                    | (910)                      | (734)                            | (13,097)        |
| Net book value           |      | 3,168                   | 10,674                          | 1,000                         | 226                      | 266                        | -                                | 15,334          |
| <b>2011</b>              |      |                         |                                 |                               |                          |                            |                                  |                 |
| At 1 April 2010          |      | 3,000                   | -                               | 1,400                         | 426                      | 358                        | 100                              | 5,284           |
| Additions                |      | 134                     | -                               | -                             | -                        | 3                          | -                                | 137             |
| Depreciation charge      | 6    | -                       | -                               | (200)                         | (100)                    | (55)                       | (63)                             | (418)           |
| At 31 March 2011         |      | 3,134                   | -                               | 1,200                         | 326                      | 306                        | 37                               | 5,003           |
| Cost                     |      | 3,134                   | -                               | 12,154                        | 525                      | 1,176                      | 734                              | 17,723          |
| Accumulated depreciation |      | -                       | -                               | (10,954)                      | (199)                    | (870)                      | (697)                            | (12,720)        |
| Net book value           |      | 3,134                   | -                               | 1,200                         | 326                      | 306                        | 37                               | 5,003           |

- (a) Certain property, plant and equipment of the Group with a net book value of RM648,638,000 (2011: RM359,139,000) have been charged as security for bank borrowings (Notes 37 and 43).

**13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

- (b) The details of motor vehicles, plant and machinery, and office equipment acquired under hire purchase and finance lease agreements of the Group are as follows:

|                                       | <b>Group</b>           |                        |
|---------------------------------------|------------------------|------------------------|
|                                       | <b>2012<br/>RM'000</b> | <b>2011<br/>RM'000</b> |
| Additions during the financial year:  |                        |                        |
| - Motor vehicle                       | 209                    | 1,223                  |
| - Plant and machinery                 | 10,595                 | 3,485                  |
| - Office equipment                    | 1,424                  | 6,733                  |
|                                       | <b>12,228</b>          | 11,441                 |
| Net book value at financial year end: |                        |                        |
| - Motor vehicles                      | 1,744                  | 1,965                  |
| - Plant and machinery                 | 9,307                  | 32,236                 |
| - Office equipment                    | 11,463                 | 7,989                  |
|                                       | <b>22,514</b>          | 42,190                 |

- (c) Included in the property, plant and equipment of a subsidiary company are assets with the net book value of RM10,495,000 (2011: NIL) purchased utilising the Automotive Development Fund.
- (d) The title deed to the leasehold land of a subsidiary company amounting to RM894,000 (2011: RM909,000) is in the process of being registered in the name of the subsidiary company.

**14 CONCESSION ASSETS**

|   | <b>Note</b> | <b>2012<br/>RM'000</b> | <b>2011<br/>RM'000</b> |
|---|-------------|------------------------|------------------------|
| <b>Group</b>                                |             |                        |                        |
| At 1 April                                  |             | -                      | -                      |
| Transfer from property, plant and equipment | 13          | 36,604                 | -                      |
| Additions during the financial year         |             | 351,232                | -                      |
| Amortisation charge                         | 6           | (10,284)               | -                      |
| At 31 March                                 |             | <b>377,552</b>         | -                      |
| Cost  |             | <b>387,836</b>         | -                      |
| Accumulated amortisation                    |             | <b>(10,284)</b>        | -                      |
| Net book value                              |             | <b>377,552</b>         | -                      |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 14 CONCESSION ASSETS (CONTINUED)

- (a) On 19 September 2011, Alam Flora Sdn. Bhd. ("AFSB"), a 60.53% indirect subsidiary company of the Group, entered into a Service Concession Agreement with the Government of Malaysia and Solid Waste and Public Cleansing Management Corporation ("Corporation") to grant AFSB the right to undertake the collection services and public cleansing management services within the geographical area delineated for the collection services and public cleansing management services in the states of Pahang, Federal Territories of Kuala Lumpur and Putrajaya for a period of 22 years commencing from 1 September 2011. Upon expiry of the concession period, the subsidiary company shall hand over all assets as required by the Corporation in a well-maintained and operational condition (normal fair wear and tear excepted) and any defects of the assets have been made good.
- (b) The details of plant and machinery acquired under hire purchase and finance lease agreements are as follows:

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2012<br>RM'000 | 2011<br>RM'000 |
| Additions during the financial year  | 393            | -              |
| Net book value at financial year end | 22,447         | -              |

### 15 PREPAID LEASE PROPERTIES

|                          | Note | Short term<br>leasehold<br>land<br>RM'000 | Long term<br>leasehold<br>land<br>RM'000 | Total<br>RM'000 |
|--------------------------|------|---|--|-----------------|
| <b>Group</b>             |      |   |  |                 |
| <b>2012</b>              |      |   |  |                 |
| At 1 April 2011          |      | 1,972                                     | 17,487                                   | 19,459          |
| Disposals                |      | -   | (2,959)                                  | (2,959)         |
| Amortisation charge      | 6    | (117)                                     | (316)                                    | (433)           |
| Reclassification         |      | 1,564                                     | (1,564)                                  | -               |
| At 31 March 2012         |      | 3,419                                     | 12,648                                   | 16,067          |
| Cost                     |      | 7,031                                     | 16,826                                   | 23,857          |
| Accumulated amortisation |      | (3,612)                                   | (4,178)                                  | (7,790)         |
| Net book value           |      | 3,419                                     | 12,648                                   | 16,067          |

## 15 PREPAID LEASE PROPERTIES (CONTINUED)

|   | Note | Short term leasehold land RM'000 | Long term leasehold land RM'000 | Total RM'000 |
|---|------|----------------------------------|---------------------------------|--------------|
| <b>Group</b>                                |      |                                  |                                 |              |
| <b>2011</b>                                 |      |                                  |                                 |              |
| At 1 April 2010                             |      | 9,065                            | 63,918                          | 72,983       |
| Effect of adopting FRS 117:                 |      |                                  |                                 |              |
| - Transfer to property, plant and equipment | 13   | (6,898)                          | (46,068)                        | (52,966)     |
| As restated                                 |      | 2,167                            | 17,850                          | 20,017       |
| Amortisation charge                         | 6    | (195)                            | (363)                           | (558)        |
| At 31 March 2011                            |      | 1,972                            | 17,487                          | 19,459       |
| Cost  |      | 2,603                            | 25,038                          | 27,641       |
| Accumulated amortisation                    |      | (631)                            | (7,551)                         | (8,182)      |
| Net book value                              |      | 1,972                            | 17,487                          | 19,459       |

- (a) Certain prepaid lease properties of the Group with net book value of RM8,099,000 (2011: RM8,229,000) have been charged as security for bank borrowings (Notes 37 and 43).
- (b) The title deeds to the leasehold land of a subsidiary company amounting to RM2,409,000 (2011: RM2,464,000) are in the process of being registered.

## 16 INVESTMENT PROPERTIES

|   | Note  | Group       |             | Company     |             |
|---|-------|-------------|-------------|-------------|-------------|
|   |       | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| At 1 April  |       | 554,452     | 542,571     | 142,268     | 147,642     |
| Additions   |       | -           | 17,199      | -           | -           |
| Disposals   |       | (61)        | (1,683)     | -           | -           |
| Currency translation differences                  |       | 1,181       | 8,453       | -           | -           |
| Transfers to property, plant and equipment        | 13    | (4,766)     | (27,181)    | -           | -           |
| Transfer to assets held for sale                  | 27    | (673)       | (660)       | -           | -           |
| Transfers from land held for property development | 17(b) | -           | 11,696      | -           | -           |
| Fair value adjustment on investment property      |       | 3,046       | 1,504       | -           | -           |
| Changes in fair value during the financial year   | 6     | (58)        | 2,553       | (3,539)     | (5,374)     |
| At 31 March                                       |       | 553,121     | 554,452     | 138,729     | 142,268     |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 16 INVESTMENT PROPERTIES (CONTINUED)

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| The disclosure on income and expenses of investment properties are as below:                                       |                |                |                |                |
| Rental income  | <b>29,151</b>  | 27,240         | <b>12,113</b>  | 12,226         |
| Direct operating expenses from investment properties that generated rental income during the financial year        | <b>11,550</b>  | 11,803         | <b>344</b>     | 469            |
| Direct operating expenses from investment properties that did not generate rental income during the financial year | <b>84</b>      | 98             | -              | -              |

- (a) The fair value of the investment properties of the Group and the Company were based on valuations by independent professional qualified valuers. Valuations for the investment properties were based on market comparison method.
- (b) The titles to certain properties included in investment properties with carrying value of RM10,800,000 (2011: RM44,516,000) are in the process of being transferred to certain subsidiary companies.
- (c) Certain investment properties of the Group with carrying value of RM443,858,000 (2011: RM464,192,000) have been charged as security for bank borrowings (Notes 37 and 43).

## 17 PROPERTY DEVELOPMENT ACTIVITIES

### (a) Property development costs

|  |       | Group          |                |
|--|-------|----------------|----------------|
|  | Note  | 2012<br>RM'000 | 2011<br>RM'000 |
| <u>At cost</u>   |       |                |                |
| At 1 April   |       |                |                |
| Land   |       | 112,213        | 136,677        |
| Development costs  |       | 388,902        | 435,526        |
| Accumulated costs charged to profit or loss                                      |       | (270,388)      | (311,579)      |
|  |       | <b>230,727</b> | 260,624        |
| Less: Completed developments in previous years                                   |       |                |                |
| - Land   |       | (3,486)        | (8,557)        |
| - Development costs  |       | (220,706)      | (57,026)       |
| - Accumulated costs charged to profit or loss                                    |       | 224,192        | 65,583         |
|  |       | -              | -              |
| Add: Costs incurred during the financial year                                    |       |                |                |
| - Land   |       | 189            | 7              |
| - Development costs  |       | 124,504        | 20,270         |
| Transfers to land held for property development                                  | 17(b) | (16,259)       | (23,293)       |
| Less: Costs recognised as an expense in profit or loss during the financial year |       | (105,308)      | (25,133)       |
| Transfers to receivables   |       | -              | (1,748)        |
| Transfers to inventories   |       | (981)          | -              |
| At 31 March  |       | <b>232,872</b> | 230,727        |
| <u>At end of the financial year</u>  |       |                |                |
| Land   |       | 112,267        | 112,213        |
| Development costs  |       | 273,090        | 388,902        |
| Accumulated costs charged to profit or loss                                      |       | (152,485)      | (270,388)      |
|  |       | <b>232,872</b> | 230,727        |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 17 PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

(b) Land held for property development

|  |       | Group            |                |
|--|-------|------------------|----------------|
|  | Note  | 2012<br>RM'000   | 2011<br>RM'000 |
| <u>At cost</u>                                       |       |                  |                |
| <u>At 1 April</u>                                    |       |                  |                |
| Land   |       | 878,410          | 873,493        |
| Development costs                                    |       | 90,297           | 78,810         |
| Accumulated impairment losses                        |       | (22,147)         | (21,103)       |
|  |       | <b>946,560</b>   | 931,200        |
| <u>Add: Costs incurred during the financial year</u> |       |                  |                |
| - Land   |       | 479              | 504            |
| - Development costs                                  |       | 81,932           | 4,303          |
|  |       | <b>1,028,971</b> | 936,007        |
| Transfers to investment properties                   | 16    | -                | (11,696)       |
| Transfers from property development costs            | 17(a) | 16,259           | 23,293         |
| Impairment losses                                    | 6     | -                | (1,044)        |
| <u>At 31 March</u>                                   |       | <b>1,045,230</b> | 946,560        |
| <u>At end of the financial year</u>                  |       |                  |                |
| Land   |       | 875,538          | 878,410        |
| Development costs                                    |       | 191,839          | 90,297         |
| Accumulated impairment losses                        |       | (22,147)         | (22,147)       |
|  |       | <b>1,045,230</b> | 946,560        |

- (i) Included in property development costs and land held for property development is interest on borrowings capitalised for the financial year amounting to RM4,197,000 (2011: RM4,800,000).
- (ii) Property development costs and land held for property development with the carrying value of RM387,124,000 (2011: RM323,904,000) belonging to subsidiary companies included in property development costs and land held for property development have been charged as security for bank borrowings (Notes 37 and 43).

18 SUBSIDIARY COMPANIES

|   | Company          |                |
|---|------------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 |
| Unquoted shares, at cost                          | 7,329,871        | 4,214,563      |
| Less: Accumulated impairment losses               | (48,677)         | (48,677)       |
|   | <b>7,281,194</b> | 4,165,886      |
| Amounts due from subsidiary companies (non-trade) | -                | 1,141,261      |
| Less: Allowance for impairment                    | -                | (215,052)      |
|   | -                | 926,209        |
| <b>Total</b>                                      | <b>7,281,194</b> | 5,092,095      |

- (a) The details of the subsidiary companies are listed in Note 3 to the financial statements.
- (b) The amounts due from subsidiary companies in the previous financial year were unsecured and not repayable within the next 12 months. Interest was charged at 4.00% to 6.65% per annum.
- (c) As part of conditions precedent to the acquisition of 70% equity in Bank Muamalat Malaysia Berhad ("BMMB"), Bank Negara Malaysia requires the Company to reduce its investment in BMMB to 40%. The Company is currently exploring various options to address the matter.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 19 JOINTLY CONTROLLED ENTITIES

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Share of net assets      | <b>436,258</b> | 336,709        | -              | -              |
| Unquoted shares, at cost | -              | -              | <b>9,800</b>   | 9,800          |

The details of the jointly controlled entities, all of which are unquoted, are listed in Note 3 to the financial statements.

The Group's share of the assets, liabilities, revenue and expenses of the jointly controlled entities is as follows:

|   | Group              |                |
|---|--------------------|----------------|
|   | 2012<br>RM'000     | 2011<br>RM'000 |
| Non-current assets  | <b>244,873</b>     | 107,983        |
| Current assets  | <b>1,339,455</b>   | 507,017        |
| Non-current liabilities                                   | <b>(38,619)</b>    | (36,956)       |
| Current liabilities                                       | <b>(1,109,451)</b> | (241,335)      |
| Share of net assets                                       | <b>436,258</b>     | 336,709        |
| Revenue   | <b>1,447,264</b>   | 1,222,460      |
| Expenses  | <b>(1,340,187)</b> | (1,126,740)    |
| Profit before taxation                                    | <b>107,077</b>     | 95,720         |
| Taxation  | <b>(27,207)</b>    | (25,261)       |
| Net profit  | <b>79,870</b>      | 70,459         |
| (a) Capital commitments for property, plant and equipment |                    |                |
| - contracted  | <b>711</b>         | 657            |
| - not contracted  | <b>13,242</b>      | 8,166          |
|   | <b>13,953</b>      | 8,823          |

(b) There are no contingencies relating to jointly controlled entities.

## 20 ASSOCIATED COMPANIES

|                          | Group            |                | Company        |                |
|--------------------------|------------------|----------------|----------------|----------------|
|                          | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Share of net assets      | <b>1,136,680</b> | 484,515        | -              | -              |
| Quoted shares, at cost   | -                | -              | <b>605,170</b> | -              |
| Unquoted shares, at cost | -                | -              | <b>71,803</b>  | 71,803         |
|                          | <b>1,136,680</b> | 484,515        | <b>676,973</b> | 71,803         |

The details of the associated companies are listed in Note 3 to the financial statements.

The Group's share of the assets, liabilities, revenue and expenses of the associated companies is as follows:

|   | Group              |                |
|---|--------------------|----------------|
|   | 2012<br>RM'000     | 2011<br>RM'000 |
| Non-current assets  | <b>810,136</b>     | 188,059        |
| Current assets  | <b>897,199</b>     | 669,932        |
| Non-current liabilities                                   | <b>(26,350)</b>    | (24,842)       |
| Current liabilities                                       | <b>(544,305)</b>   | (348,634)      |
| Share of net assets                                       | <b>1,136,680</b>   | 484,515        |
| Revenue   | <b>1,665,236</b>   | 1,968,682      |
| Expenses  | <b>(1,554,449)</b> | (1,765,437)    |
| Profit before taxation                                    | <b>110,787</b>     | 203,245        |
| Taxation  | <b>(22,966)</b>    | (44,752)       |
| Net profit  | <b>87,821</b>      | 158,493        |
| (a) Capital commitments for property, plant and equipment |                    |                |
| - contracted  | <b>28,959</b>      | 5,394          |
| - not contracted  | <b>131,066</b>     | 23,595         |
|   | <b>160,025</b>     | 28,989         |

(b) There are no contingencies relating to associated companies.

(c) The accumulated share of losses that have not been recognised by the Group amounted to RM11,862,000 (2011: RM11,862,000). The Group has no obligation in respect of these losses.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 21 INTANGIBLE ASSETS

|   | Note     | Goodwill<br>RM'000 | Operation<br>and<br>maintenance<br>concession<br>RM'000 | Core<br>deposits<br>RM'000 | Computer<br>software<br>RM'000 | Licences/<br>Product<br>development<br>expenditure<br>RM'000 | Capitalised<br>development<br>cost of work-<br>in-progress<br>RM'000 | Total<br>RM'000 |
|---|----------|--------------------|---|----------------------------|--------------------------------|--|--|-----------------|
| <b>GROUP</b>                                |          |                    |   |                            |                                |  |  |                 |
| <b>2012</b>                                 |          |                    |   |                            |                                |  |  |                 |
| At 1 April 2011                             |          | 31,363             | 147,527   | 31,700                     | 5,329                          | 3,102  | -  | 219,021         |
| Acquisition of a subsidiary company         | 52(i)(g) | 29,008             | -   | -                          | 36,096                         | 536,366  | 432,459  | 1,033,929       |
| Additions                                   |          | -                  | -   | -                          | 2,273                          | 200  | -  | 2,473           |
| Transfer from property, plant and equipment | 13       | -                  | -   | -                          | 28                             | 181  | -  | 209             |
| Amortisation charge                         | 6        | -                  | (7,202)   | (12,300)                   | (2,266)                        | (5,433)  | -  | (27,201)        |
| At 31 March 2012                            |          | 60,371             | 140,325   | 19,400                     | 41,460                         | 534,416  | 432,459  | 1,228,431       |
| Cost  |          | 67,390             | 164,932   | 61,400                     | 131,023                        | 1,105,019  | 432,459  | 1,962,223       |
| Accumulated amortisation                    |          | -                  | (24,607)  | (42,000)                   | (89,563)                       | (325,048)  | -  | (481,218)       |
| Accumulated impairment                      |          | (7,019)            | -   | -                          | -                              | (245,555)  | -  | (252,574)       |
| Net book value                              |          | 60,371             | 140,325   | 19,400                     | 41,460                         | 534,416  | 432,459  | 1,228,431       |
| <b>2011</b>                                 |          |                    |   |                            |                                |  |  |                 |
| At 1 April 2010                             |          |                    | 31,363  | 154,729                    | 44,000                         | 3,027  | 631  | 233,750         |
| Additions                                   |          |                    | -   | -                          | -                              | 3,134  | 1,374  | 4,508           |
| Transfer from property, plant and equipment | 13       |                    | -   | -                          | -                              | -  | 2,190  | 2,190           |
| Amortisation charge                         | 6        |                    | -   | (7,202)                    | (12,300)                       | (832)  | (1,093)  | (21,427)        |
| At 31 March 2011                            |          |                    | 31,363  | 147,527                    | 31,700                         | 5,329  | 3,102  | 219,021         |
| Cost  |          |                    | 31,363  | 164,932                    | 61,400                         | 6,812  | 7,656  | 272,163         |
| Accumulated amortisation                    |          |                    | -   | (17,405)                   | (29,700)                       | (1,483)  | (4,554)  | (53,142)        |
| Net book value                              |          |                    | 31,363  | 147,527                    | 31,700                         | 5,329  | 3,102  | 219,021         |

## 21 INTANGIBLE ASSETS (CONTINUED)

- (a) The carrying amount of goodwill was allocated to four of the Group's cash generating units (CGUs), namely defence services (RM4,665,000), airport ground handling services (RM16,648,000), banking (RM10,050,000) and automotive (RM29,008,000). The recoverable amounts of the four CGUs were determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on approved financial budgets. Cash flows beyond the budgeted period were extrapolated using estimated terminal growth rates. Based on these, the recoverable amount of goodwill exceeded its carrying value.
- (b) The details of computer software acquired under hire purchase and finance lease agreements of the Group are as follows:

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2012<br>RM'000 | 2011<br>RM'000 |
| Net book value at financial year end | 704            | -              |

## 22 DEFERRED TAXATION

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April   |      | 89,872         | 84,278         | (2,839)        | (1,662)        |
| Effects of adopting FRS 139  |      | -              | 9,603          | -              | -              |
| Acquisition of a subsidiary company  |      | 5,828          | -              | -              | -              |
| Movement in life assurance fund  |      | (506)          | 5,047          | -              | -              |
| (Charged)/credited to profit or loss   | 10   |                |                |                |                |
| - Investment securities  |      | -              | (32,937)       | -              | -              |
| - Property, plant and equipment  |      | 6,040          | (1,252)        | (744)          | (1,177)        |
| - Property development expenditure   |      | 563            | 893            | -              | -              |
| - Provisions   |      | 2,234          | 6,229          | -              | -              |
| - Receivables  |      | (5,639)        | 25,289         | -              | -              |
| - Tax losses   |      | (1,155)        | (809)          | -              | -              |
| - Unearned premium reserve   |      | -              | 23             | -              | -              |
|  |      | 2,043          | (2,564)        | (744)          | (1,177)        |
| Charged into other comprehensive income  | 10   |                |                |                |                |
| - Loss/(gain) on fair value changes of available-for-sale financial securities |      | 6,263          | (6,116)        | -              | -              |
| - Fair value adjustment on investment property                                 |      | -              | (376)          | -              | -              |
|  |      | 6,263          | (6,492)        | -              | -              |
| At 31 March  |      | 103,500        | 89,872         | (3,583)        | (2,839)        |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 22 DEFERRED TAXATION (CONTINUED)

|   | Group            |                | Company        |                |
|---|------------------|----------------|----------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>Subject to income tax</b>                        |                  |                |                |                |
| <i>Deferred tax assets (before offsetting)</i>      |                  |                |                |                |
| Property, plant and equipment                       | 82,270           | 97,363         | 2,422          | 2,689          |
| Investment securities                               | 21,731           | 10,153         | -              | -              |
| Provisions  | 271,304          | 58,857         | -              | -              |
| Receivables   | 5,734            | 31,170         | -              | -              |
| Unearned premium reserve                            | -                | 31             | -              | -              |
| Tax losses  | 35,411           | 36,827         | -              | -              |
|   | <b>416,450</b>   | 234,401        | <b>2,422</b>   | 2,689          |
| Offsetting  | <b>(253,847)</b> | (78,772)       | <b>(2,422)</b> | (2,689)        |
| Deferred tax assets (after offsetting)              | <b>162,603</b>   | 155,629        | -              | -              |
| <b>Subject to income tax</b>                        |                  |                |                |                |
| <i>Deferred tax liabilities (before offsetting)</i> |                  |                |                |                |
| Property, plant and equipment                       | (142,892)        | (143,586)      | (6,005)        | (5,528)        |
| Intangible assets                                   | (161,014)        | -              | -              | -              |
| Investment securities                               | (7,037)          | -              | -              | -              |
| Provisions  | (37)             | (193)          | -              | -              |
| Receivables   | (1,970)          | (750)          | -              | -              |
|   | <b>(312,950)</b> | (144,529)      | <b>(6,005)</b> | (5,528)        |
| Offsetting  | <b>253,847</b>   | 78,772         | <b>2,422</b>   | 2,689          |
| Deferred tax liabilities (after offsetting)         | <b>(59,103)</b>  | (65,757)       | <b>(3,583)</b> | (2,839)        |
| Presented after appropriate offsetting as follows:  |                  |                |                |                |
| Deferred tax assets                                 | 162,603          | 155,629        | -              | -              |
| Deferred tax liabilities                            | (59,103)         | (65,757)       | (3,583)        | (2,839)        |
|   | <b>103,500</b>   | 89,872         | <b>(3,583)</b> | (2,839)        |

## 23 INVESTMENT SECURITIES

### (a) Investment securities: financial assets at fair value through profit or loss

|  | Group          |                |
|--|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 |
| <u>Quoted securities</u>   |                |                |
| Equity securities, in Malaysia   | 191,829        | 206,501        |
| Unit and property trust funds, in Malaysia                             | 19,174         | 16,711         |
|  | <b>211,003</b> | 223,212        |
| <u>Unquoted securities</u>   |                |                |
| Corporate debts securities   | 14,221         | 12,116         |
| Structured investments, in Malaysia                                    | 82,277         | 112,568        |
| Unit and property trust funds, in Malaysia                             | 5,051          | -              |
| Unit and property trust funds, outside Malaysia                        | 79,334         | 95,313         |
| Total (Current – Non-banking: held by an insurance subsidiary company) | <b>391,886</b> | 443,209        |

### (b) Investment securities: available-for-sale, at fair value

|  | Banking ←   |   | Non-banking →   |                  | Sub-total<br>RM'000 | Total<br>RM'000 |
|--|---|---|---|------------------|---------------------|-----------------|
|  | Held by a<br>banking<br>subsidiary<br>company<br>RM'000 | Held by<br>insurance<br>subsidiary<br>companies<br>RM'000 | Held by<br>other<br>subsidiary<br>companies<br>RM'000 |                  |                     |                 |
| <b>Group</b>                                 |   |   |   |                  |                     |                 |
| <b>2012</b>                                  |   |   |   |                  |                     |                 |
| <u>Quoted securities</u>                     |   |   |   |                  |                     |                 |
| Malaysian government investment certificates | 3,730,088   | 120,495   | -   | 120,495          | 3,850,583           |                 |
| Cagamas bonds                                | 116,266   | -   | -   | -                | 116,266             |                 |
| Islamic private debt securities              | 2,095,314   | -   | -   | -                | 2,095,314           |                 |
| Sukuk  | 84,332  | -   | -   | -                | 84,332              |                 |
| Negotiable Islamic debts certificates        | 55,570  | -   | -   | -                | 55,570              |                 |
| Shares, in Malaysia                          | 48,023  | 67,300  | -   | 67,300           | 115,323             |                 |
|  | <b>6,129,593</b>  | <b>187,795</b>  | <b>-</b>  | <b>187,795</b>   | <b>6,317,388</b>    |                 |
| <u>Unquoted securities</u>                   |   |   |   |                  |                     |                 |
| Corporate debt securities                    | -   | 845,349   | 3,430   | 848,779          | 848,779             |                 |
| Shares, in Malaysia                          | 9,431   | 2,233   | 46,065  | 48,298           | 57,729              |                 |
| Total  | <b>6,139,024</b>  | <b>1,035,377</b>  | <b>49,495</b>   | <b>1,084,872</b> | <b>7,223,896</b>    |                 |
| Non-current                                  | 4,734,273   | 992,846   | 46,065  | 1,038,911        | 5,773,184           |                 |
| Current                                      | 1,404,751   | 42,531  | 3,430   | 45,961           | 1,450,712           |                 |
|  | <b>6,139,024</b>  | <b>1,035,377</b>  | <b>49,495</b>   | <b>1,084,872</b> | <b>7,223,896</b>    |                 |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 23 INVESTMENT SECURITIES (CONTINUED)

#### (b) Investment securities: available-for-sale, at fair value (Continued)

|  | Banking   |   | Non-banking   |  | Sub-total<br>RM'000    | Total<br>RM'000        |
|--|---|---|---|--|------------------------|------------------------|
|  | Held by a<br>banking<br>subsidiary<br>company<br>RM'000 | Held by<br>insurance<br>subsidiary<br>companies<br>RM'000 | Held by<br>other<br>subsidiary<br>companies<br>RM'000 |  |                        |                        |
| <b>Group</b>                                 |   |   |   |  |                        |                        |
| <b>2011</b>                                  |   |   |   |  |                        |                        |
| <u>Quoted securities</u>                     |   |   |   |  |                        |                        |
| Malaysian government investment certificates | 1,960,866   | 149,666   | -   |  | 149,666                | 2,110,532              |
| Caqamas bonds                                | 135,714   | -   | -   |  | -                      | 135,714                |
| Islamic private debt securities              | 2,110,431   | -   | -   |  | -                      | 2,110,431              |
| Sukuk  | 58,087  | -   | -   |  | -                      | 58,087                 |
| Shares, in Malaysia                          | 24,994  | 28,900  | -   |  | 28,900                 | 53,894                 |
| Shares, outside Malaysia                     | -   | 93  | 19,189  |  | 19,282                 | 19,282                 |
| Unit trust, in Malaysia                      | 9,909   | -   | -   |  | -                      | 9,909                  |
|  | 4,300,001   | 178,659   | 19,189  |  | 197,848                | 4,497,849              |
| <u>Unquoted securities</u>                   |   |   |   |  |                        |                        |
| Corporate debt securities                    | -   | 786,155   | -   |  | 786,155                | 786,155                |
| Shares, in Malaysia                          | 14,905  | 2,139   | 46,245  |  | 48,384                 | 63,289                 |
| <b>Total</b>                                 | <b>4,314,906</b>  | <b>966,953</b>  | <b>65,434</b>   |  | <b>1,032,387</b>       | <b>5,347,293</b>       |
| Non-current                                  | 3,163,859   | 896,838   | 65,434  |  | 962,272                | 4,126,131              |
| Current                                      | 1,151,047   | 70,115  | -   |  | 70,115                 | 1,221,162              |
|  | 4,314,906   | 966,953   | 65,434  |  | 1,032,387              | 5,347,293              |
| <b>Company</b>                               |   |   |   |  |                        |                        |
|  |   |   |   |  | <b>2012<br/>RM'000</b> | <b>2011<br/>RM'000</b> |
| Quoted shares, outside Malaysia              |   |   |   |  | -                      | 19,189                 |

On 4 November 2011, the Company entered into an Agreement with Magyar Nemzeti Vagyonkezelő Zrt. to dispose of its entire stake of 1,462,446 ordinary shares in RABA Járműipari Holding Nyilvánosan Működő Reszvenytársaság (a company incorporated in Hungary) and the investment securities held by the Company was classified as asset for sale (Note 27). The disposal was completed on 24 April 2012.

**23 INVESTMENT SECURITIES (CONTINUED)**

**(c) Investment securities: held-to-maturity, at amortised cost**

|  | Banking   |   | Non-banking   |                | Sub-total<br>RM'000 | Total<br>RM'000 | Fair<br>value<br>RM'000 |
|--|---|---|---|----------------|---------------------|-----------------|-------------------------|
|  | Held by a<br>banking<br>subsidiary<br>company<br>RM'000 | Held by<br>insurance<br>subsidiary<br>companies<br>RM'000 | Held by<br>other<br>subsidiary<br>companies<br>RM'000 |                |                     |                 |                         |
| <b>Group</b>   |   |   |   |                |                     |                 |                         |
| <b>2012</b>  |   |   |   |                |                     |                 |                         |
| <u>Quoted securities</u>                                   |   |   |   |                |                     |                 |                         |
| Corporate bonds  | 77,394  | -   | -   | -              | 77,394              |                 |                         |
| Accumulated impairment loss                                | (2,061)   | -   | -   | -              | (2,061)             |                 |                         |
|  | <b>75,333</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>       | <b>75,333</b>       |                 | <b>75,333</b>           |
| Malaysian government investment<br>certificates            | -   | 20,258  | -   | 20,258         | 20,258              |                 |                         |
| Amortisation of premiums                                   | -   | (104)   | -   | (104)          | (104)               |                 |                         |
|  | -   | <b>20,154</b>   | -   | <b>20,154</b>  | <b>20,154</b>       |                 | <b>20,820</b>           |
| <u>Unquoted securities</u>                                 |   |   |   |                |                     |                 |                         |
| Corporate bonds, at cost                                   | -   | 532,936   | 73,910  | 606,846        | 606,846             |                 |                         |
| Accumulated impairment loss                                | -   | (667)   | -   | (667)          | (667)               |                 |                         |
| Amortisation of premiums, net of<br>accretion of discounts | -   | (1,907)   | -   | (1,907)        | (1,907)             |                 |                         |
|  | -   | <b>530,362</b>  | <b>73,910</b>   | <b>604,272</b> | <b>604,272</b>      |                 | <b>624,058</b>          |
| Shares, in Malaysia at cost                                | -   | 8,000   | -   | 8,000          | 8,000               |                 | 8,000                   |
| <b>Total</b>   | <b>75,333</b>   | <b>558,516</b>  | <b>73,910</b>   | <b>632,426</b> | <b>707,759</b>      |                 |                         |
| Non-current  | 46,547  | 496,244   | 51,007  | 547,251        | 593,798             |                 |                         |
| Current  | 28,786  | 62,272  | 22,903  | 85,175         | 113,961             |                 |                         |
|  | <b>75,333</b>   | <b>558,516</b>  | <b>73,910</b>   | <b>632,426</b> | <b>707,759</b>      |                 |                         |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 23 INVESTMENT SECURITIES (CONTINUED)

#### (c) Investment securities: held-to-maturity, at amortised cost (Continued)

|   | Banking  | Non-banking                                      |                 |                      |
|---|--|--|-----------------|----------------------|
|   | Held by a banking subsidiary company<br>RM'000 | Held by insurance subsidiary companies<br>RM'000 | Total<br>RM'000 | Fair value<br>RM'000 |
| <b>Group</b>  |  |  |                 |                      |
| <b>2011</b>   |  |  |                 |                      |
| <u>Quoted securities</u>                                |  |  |                 |                      |
| Corporate bonds   | 30,285   | -  | 30,285          |                      |
| Accumulated impairment loss                             | (2,061)  | -  | (2,061)         |                      |
|   | 28,224   | -  | 28,224          | 28,224               |
| Malaysian government investment certificates            | -  | 20,124   | 20,124          |                      |
| Amortisation of premiums                                | -  | (87)   | (87)            |                      |
|   | -  | 20,037   | 20,037          | 20,707               |
| <u>Unquoted securities</u>                              |  |  |                 |                      |
| Corporate bonds, at cost                                | -  | 446,217  | 446,217         |                      |
| Accretion of discounts, net of amortisation of premiums | -  | 3,319  | 3,319           |                      |
|   | -  | 449,536  | 449,536         | 461,846              |
| Shares, in Malaysia at cost                             | -  | 8,000  | 8,000           | 8,000                |
| <b>Total</b>  | <b>28,224</b>                                  | <b>477,573</b>                                   | <b>505,797</b>  |                      |
| Non-current   | 28,224   | 462,861  | 491,085         |                      |
| Current   | -  | 14,712   | 14,712          |                      |
|   | 28,224   | 477,573  | 505,797         |                      |

### 24 OTHER ASSETS

|                                | Group          |                |
|--------------------------------|----------------|----------------|
|                                | 2012<br>RM'000 | 2011<br>RM'000 |
| Golf membership, at fair value | 320            | 320            |

## 25 FINANCING OF CUSTOMERS

|   | Group              |                |
|---|--------------------|----------------|
|   | 2012<br>RM'000     | 2011<br>RM'000 |
| Cash line   | 181,842            | 367,763        |
| Term financing                                    |                    |                |
| - Home financing                                  | 6,469,716          | 4,828,099      |
| - Syndicated financing                            | 86,143             | 143,617        |
| - Hire purchase receivables                       | 1,162,393          | 1,392,167      |
| - Leasing receivables                             | 176,859            | 191,584        |
| - Other term financing                            | 6,453,887          | 4,258,516      |
| Trust receipts                                    | 116,428            | 147,916        |
| Claims on customers under acceptance credits      | 722,131            | 779,186        |
| Staff financing                                   | 111,101            | 94,761         |
| Revolving credits                                 | 491,233            | 356,088        |
|   | <b>15,971,733</b>  | 12,559,697     |
| Less: Unearned income                             | <b>(6,715,082)</b> | (4,753,075)    |
|   | <b>9,256,651</b>   | 7,806,622      |
| Less: Financing sold to Cagamas                   | <b>(64,910)</b>    | (364,308)      |
|   | <b>9,191,741</b>   | 7,442,314      |
| Less: Allowance for bad and doubtful financing:   |                    |                |
| - Collective assessment allowance                 | <b>(260,540)</b>   | (226,702)      |
| - Individual assessment allowance                 | <b>(161,904)</b>   | (104,501)      |
| Total net financing, advances and other financing | <b>8,769,297</b>   | 7,111,111      |
| Non-current                                       | <b>7,030,538</b>   | 4,813,029      |
| Current   | <b>1,738,759</b>   | 2,298,082      |
|   | <b>8,769,297</b>   | 7,111,111      |
| Fair values                                       | <b>9,940,929</b>   | 8,338,198      |

The fair values of financing of customers are estimated based on expected future cash flows of contractual instalments payments, discounted at applicable and prevailing rates at the reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of allowance for bad and doubtful financing.

## 26 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

- (a) The statutory deposits are maintained by a banking subsidiary with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.
- (b) The carrying amounts as at the reporting date approximated their fair values.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 27 ASSETS HELD FOR SALE

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Associated company                                       | 4,547          | 2,730          | -              | -              |
| Investment properties                                    | 673            | 660            | -              | -              |
| Investment securities: available-for-sale, at fair value | 16,079         | -              | 16,079         | -              |
|  | <b>21,299</b>  | 3,390          | <b>16,079</b>  | -              |

An associated company, investment properties and investment securities: available-for-sale were classified as assets held for sales at the reporting date (Notes 3, 16 and 23(b)).

### 28 INVENTORIES

|                                      | Group            |                |
|--------------------------------------|------------------|----------------|
|                                      | 2012<br>RM'000   | 2011<br>RM'000 |
| <u>Cost</u>                          |                  |                |
| Raw materials                        | 274,393          | 41,819         |
| Work-in-progress                     | 234,684          | 53,544         |
| Finished goods                       | 771,393          | 274,489        |
| Consumables                          | 116,669          | 36,055         |
| Completed units of unsold properties | 28,408           | 18,969         |
| <u>Net realisable value</u>          |                  |                |
| Finished goods                       | 77,425           | 82,386         |
| Completed units of unsold properties | 13,772           | 16,283         |
| Consumables                          | 13               | -              |
|                                      | <b>1,516,757</b> | 523,545        |

Certain inventories of subsidiary companies amounting to RM1,558,000 (2011: RM1,387,000) have been pledged as security for bank borrowings (Notes 37 and 43).

29 TRADE AND OTHER RECEIVABLES

|  | Note | Group            |                | Company          |                |
|--|------|------------------|----------------|------------------|----------------|
|  |      | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| Trade receivables                            |      | 1,533,100        | 1,001,118      | -                | 2,670          |
| Less: Allowance for impairment               |      | (103,670)        | (110,686)      | -                | -              |
|  |      | <b>1,429,430</b> | 890,432        | -                | 2,670          |
| Other receivables                            |      | 638,362          | 309,201        | 597              | 465            |
| Less: Allowance for impairment               |      | (44,618)         | (4,291)        | -                | -              |
|  |      | <b>593,744</b>   | 304,910        | <b>597</b>       | 465            |
| Amounts due from subsidiary companies        |      | -                | -              | 1,329,591        | 158,461        |
| Less: Allowance for impairment               |      | -                | -              | (215,190)        | (138)          |
|  |      | -                | -              | <b>1,114,401</b> | 158,323        |
| Amounts due from jointly controlled entities |      | 24,745           | 7,521          | 5,883            | 4              |
| Amounts due from associated companies        |      | 49,888           | 28,613         | 638              | 528            |
| Amounts due from related parties             |      | 83,128           | 50,901         | -                | -              |
| Amounts due from customers on contracts      | 49   | 183,640          | 3,545          | -                | -              |
| Accrued billings                             |      | 44,515           | 3,042          | -                | -              |
| Deposits                                     |      | 582,354          | 27,497         | 175              | 36             |
| Prepayments                                  |      | 115,060          | 14,155         | 21,960           | 209            |
|  |      | <b>1,083,330</b> | 135,274        | <b>28,656</b>    | 777            |
|  |      | <b>3,106,504</b> | 1,330,616      | <b>1,143,654</b> | 162,235        |

(a) The currency exposure profile of trade and other receivables is as follows:

|                    | Group            |                | Company          |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| - Ringgit Malaysia | 2,903,198        | 1,304,596      | 1,143,654        | 162,235        |
| - Pound Sterling   | 86,415           | -              | -                | -              |
| - Thai Baht        | 56,472           | 8,984          | -                | -              |
| - Indonesia Rupiah | 48,217           | -              | -                | -              |
| - US Dollar        | 5,247            | 11,778         | -                | -              |
| - Others           | 6,955            | 5,258          | -                | -              |
|                    | <b>3,106,504</b> | 1,330,616      | <b>1,143,654</b> | 162,235        |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 29 TRADE AND OTHER RECEIVABLES (CONTINUED)

- (b) The carrying amount of trade and other receivables as at reporting date approximate fair value due to the relatively short term maturity of the balances.
- (c) Trade receivables are non-interest bearing. The Group's and the Company's normal trade credit terms ranges from 14 to 180 days (2011: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case by case basis.
- (d) Included in prior year's trade receivables of the Company is an amount of RM2,670,000 owing by the Government in respect of Electrified Double Track Project. This amount has been received by the Company during the financial year.
- (e) Included in other receivables for the Group is an amount of RM21,634,000 (2011: RM28,039,000) in respect of reimbursement of certain operating expenditure of a subsidiary company, due from the Ministry of Finance.
- (f) All other amounts due from subsidiary companies, jointly controlled entities, associated companies and related parties are non-interest bearing, unsecured and repayable on demand.
- (g) The ageing analysis of the Group and the Company's trade receivables is as follows:

|  | Group<br>RM'000  | Company<br>RM'000 |
|--|------------------|-------------------|
| <b>2012</b>                              |                  |                   |
| Neither past due nor impaired            | <b>899,046</b>   | -                 |
| 1 to 30 days past due not impaired       | <b>277,910</b>   | -                 |
| 31 to 60 days past due not impaired      | <b>164,740</b>   | -                 |
| 61 to 90 days past due not impaired      | <b>54,660</b>    | -                 |
| 91 to 120 days past due not impaired     | <b>23,828</b>    | -                 |
| More than 121 days past due not impaired | <b>9,246</b>     | -                 |
|  | <b>530,384</b>   | -                 |
| Impaired                                 | <b>103,670</b>   | -                 |
|  | <b>1,533,100</b> | -                 |
| <b>2011</b>                              |                  |                   |
| Neither past due nor impaired            | 643,391          | -                 |
| 1 to 30 days past due not impaired       | 152,502          | -                 |
| 31 to 60 days past due not impaired      | 51,187           | -                 |
| 61 to 90 days past due not impaired      | 28,156           | -                 |
| 91 to 120 days past due not impaired     | 11,619           | -                 |
| More than 121 days past due not impaired | 3,577            | 2,670             |
|  | 247,041          | 2,670             |
| Impaired                                 | 110,686          | -                 |
|  | 1,001,118        | 2,670             |

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

## 29 TRADE AND OTHER RECEIVABLES (CONTINUED)

- (g) The ageing analysis of the Group and the Company's trade receivables is as follows: (Continued)

### Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to RM530,384,000 (2011: RM247,041,000) and RM NIL (2011: RM2,670,000) respectively that are past due at the reporting date but not impaired. At the reporting date, majority of the trade receivables of the Group are active customers with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payments history.

### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movements in the allowance for impairment losses of trade receivables during the financial year are as follows:

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April                          | 110,686        | 68,598         |
| Effect of adopting FRS 139          | -              | 1,718          |
| Acquisition of a subsidiary company | 11,670         | -              |
| Written off as uncollectible        | (4,342)        | -              |
| Reversal during the financial year  | (13,627)       | -              |
| Net amount charged for the year     | -              | 41,458         |
| Unwinding of discount               | (717)          | (1,088)        |
| <b>At 31 March</b>                  | <b>103,670</b> | <b>110,686</b> |

The movements in the allowance for impairment losses of other receivables during the financial year are as follows:

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April                          | 4,291          | 6,144          |
| Effect of adopting FRS 139          | -              | 305            |
| Acquisition of a subsidiary company | 40,754         | -              |
| Charged during the financial year   | 822            | -              |
| Written off as uncollectible        | (333)          | -              |
| Reversal during the financial year  | (649)          | (1,828)        |
| Unwinding of discount               | (267)          | (330)          |
| <b>At 31 March</b>                  | <b>44,618</b>  | <b>4,291</b>   |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted payments.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 30 SHORT TERM DEPOSITS

- (a) Short term deposits consist of deposits with licensed banks and are denominated in Ringgit Malaysia.
- (b) Certain deposits with licensed banks of the Group amounting to RM309,542,000 (2011: RM54,968,000) have been pledged as security for banking facilities.
- (c) Included in short term deposits is the maintenance reserve account of approximately RM36,000,000 (2011: RM36,000,000) maintained by a subsidiary company performing operations and maintenance services to a power plant, pursuant to the Operations and Maintenance Agreement.
- (d) The weighted average effective annual interest rate of short term deposits at the end of the financial year is as follows:

|                              | Group     |           | Company   |           |
|------------------------------|-----------|-----------|-----------|-----------|
|                              | 2012<br>% | 2011<br>% | 2012<br>% | 2011<br>% |
| Deposits with licensed banks | 3.11      | 2.89      | 2.92      | 2.82      |

- (e) The deposits of the Group and Company have an average maturity period of 66 (2011: 69) and 15 (2011: 33) days respectively.

### 31 CASH AND BANK BALANCES

- (a) Bank balances are deposits held at call with banks and are non-interest bearing.
- (b) Included in cash and bank balances of the Group are bank accounts maintained pursuant to the Housing Developers (Control & Licensing) Act 1966, amounting to RM20,347,000 (2011: RM25,664,000).
- (c) The currency exposure profile of cash and bank balances is as follows:

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| - Ringgit Malaysia  | 365,347        | 193,659        | 7,922          | 10,905         |
| - Pound Sterling    | 99,294         | -              | -              | -              |
| - Thai Baht         | 91,157         | 2,779          | -              | -              |
| - Indonesia Rupiah  | 42,842         | -              | -              | -              |
| - Australian Dollar | 20,552         | -              | -              | -              |
| - Singapore Dollar  | 11,155         | 3,476          | -              | -              |
| - US Dollar         | 881            | 2,199          | -              | -              |
| - Euro              | 507            | 1,015          | -              | -              |
| - Others            | 1,177          | -              | -              | -              |
|                     | <b>632,912</b> | 203,128        | <b>7,922</b>   | 10,905         |

**32 CASH AND SHORT-TERM FUNDS OF A BANKING SUBSIDIARY COMPANY**

|  | <b>Group</b>     |               |
|--|------------------|---------------|
|  | <b>2012</b>      | <b>2011</b>   |
|  | <b>RM'000</b>    | <b>RM'000</b> |
| Cash and balances with banks and other financial institutions                            | <b>162,535</b>   | 169,013       |
| Money at call and interbank placements with remaining maturities not exceeding one month | <b>4,228,688</b> | 6,027,270     |
| Licensed Islamic banks   | <b>110,333</b>   | 251,012       |
|  | <b>4,501,556</b> | 6,447,295     |

(a) The currency exposure profile of the cash and short-term funds of a banking subsidiary company is as follows:

|                    | <b>Group</b>     |               |
|--------------------|------------------|---------------|
|                    | <b>2012</b>      | <b>2011</b>   |
|                    | <b>RM'000</b>    | <b>RM'000</b> |
| - Ringgit Malaysia | <b>4,274,697</b> | 6,284,501     |
| - US Dollar        | <b>161,625</b>   | 138,601       |
| - Euro             | <b>35,450</b>    | 2,690         |
| - Japanese Yen     | <b>23,491</b>    | 20,492        |
| - Others           | <b>6,293</b>     | 1,011         |
|                    | <b>4,501,556</b> | 6,447,295     |

(b) The weighted average effective annual profit rate of cash and short-term funds of a banking subsidiary at the end of the financial year is as follows and the average maturity period is not exceeding 1 month:

|                           | <b>Group</b> |             |
|---------------------------|--------------|-------------|
|                           | <b>2012</b>  | <b>2011</b> |
|                           | <b>%</b>     | <b>%</b>    |
| Cash and short-term funds | <b>2.80</b>  | 2.68        |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 33 DERIVATIVE FINANCIAL INSTRUMENTS

|  | Contract/<br>National<br>Value<br>RM'000 | Fair Value       |                       |
|--|--|------------------|-----------------------|
|  |  | Assets<br>RM'000 | Liabilities<br>RM'000 |
| <b>Group</b>   |  |                  |                       |
| <b>2012</b>  |  |                  |                       |
| Financial instruments at fair value through profit or loss |  |                  |                       |
| Forward foreign exchange contracts                         | 872,474                                  | 8,032            | 26,795                |
| Currency swap foreign exchange contracts                   | 759,728                                  | 2,167            | 1,469                 |
| Islamic profit rate swap                                   | 75,000                                   | -                | 3,889                 |
|  | <b>1,707,202</b>                         | <b>10,199</b>    | <b>32,153</b>         |
| <b>2011</b>  |  |                  |                       |
| Financial instruments at fair value through profit or loss |  |                  |                       |
| Forward foreign exchange contracts                         | 556,759                                  | 2,342            | 4,880                 |

- (a) The financial derivatives are recognised on their respective contract dates and there is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2011:
- (i) the credit risk, market risk and liquidity risk associated with these financial derivatives;
  - (ii) the cash requirements of the financial derivatives; and
  - (iii) the policy in place for mitigating or controlling the risks associated with these financial derivatives.
- (b) Disclosure of gains/loss arising from fair value changes of financial liabilities.

During the financial year, the Group recognised a total net loss of RM19,321,000 (2011: net gain of RM6,760,000) in the consolidated statement of comprehensive income arising from the fair value changes on the forward foreign exchange contracts, currency and profit rate swap which are marked to market as at 31 March 2012. The loss is not expected to significantly impact the Group's cash flows.

### 34 SHARE CAPITAL

|                                | Group and Company           |                            |                             |                            |
|--------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
|                                | 2012                        |                            | 2011                        |                            |
|                                | Number of<br>Shares<br>'000 | Nominal<br>Value<br>RM'000 | Number of<br>Shares<br>'000 | Nominal<br>Value<br>RM'000 |
| <b>Authorised:</b>             |                             |                            |                             |                            |
| Ordinary shares of RM1.00 each | 2,000,000                   | 2,000,000                  | 2,000,000                   | 2,000,000                  |
| <b>Issued and fully paid:</b>  |                             |                            |                             |                            |
| Ordinary shares:               |                             |                            |                             |                            |
| At 1 April/31 March            | 1,933,237                   | 1,719,601                  | 1,933,237                   | 1,719,601                  |

### 35 LIFE INSURANCE CONTRACT LIABILITIES

Based on the actuarial valuation of the Life Assurance Fund made up to 31 March 2012, the actuary was satisfied that the assets available in the Life Assurance Fund are sufficient to meet its long term liabilities to policyholders.

|  |  | ← 2012 →         |                            |                  | 2011             |
|--|--|------------------|----------------------------|------------------|------------------|
|  | Note   | Gross<br>RM'000  | Re-<br>insurance<br>RM'000 | Net<br>RM'000    | Net<br>RM'000    |
| <b>Group</b>                                 |  |                  |                            |                  |                  |
|  |  | 55,696           | (11,366)                   | 44,330           | 62,202           |
| Provision for outstanding claims             |  | 1,338,216        | -                          | 1,338,216        | 1,263,034        |
| Actuarial liabilities                        |  | 241,665          | -                          | 241,665          | 176,104          |
| Unallocated funds                            | (a)  | 27,921           | -                          | 27,921           | 17,457           |
| Available-for-sale fair value reserve        |  | 231,322          | -                          | 231,322          | 275,970          |
| Net asset value attributable to unit holders |  |                  |                            |                  |                  |
|  |  | <b>1,894,820</b> | <b>(11,366)</b>            | <b>1,883,454</b> | <b>1,794,767</b> |
| <hr/>  |  |                  |                            |                  |                  |
| Current                                      | 41   | 55,696           | (11,366)                   | 44,330           | 62,202           |
| Non-current                                  |  | 1,839,124        | -                          | 1,839,124        | 1,732,565        |
|  |  | <b>1,894,820</b> | <b>(11,366)</b>            | <b>1,883,454</b> | <b>1,794,767</b> |
| <hr/>  |  |                  |                            |                  |                  |
|  |  |                  |                            | 2012<br>RM'000   | 2011<br>RM'000   |
| <b>Group</b>                                 |  |                  |                            |                  |                  |
| (a)  | Unallocated surplus  |                  |                            | 176,104          | 109,005          |
|  | At 1 April   |                  |                            | 95,561           | 97,099           |
|  | Surplus arising during the financial year                        |                  |                            | (30,000)         | (30,000)         |
|  | Less: Transfer to consolidated statement of comprehensive income |                  |                            |                  |                  |
|  | At 31 March  |                  |                            | <b>241,665</b>   | <b>176,104</b>   |

### 36 DEFERRED INCOME

This represents the following items:

- (i) Club membership licence fees received in advance by a subsidiary company, net of amounts recognised as income in the financial statements;
- (ii) Grants received in advance including Automotive Development Fund; and
- (iii) Deferred revenue mainly comprise free services given to customers upon sale of vehicles and prepaid rental received.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 36 DEFERRED INCOME (CONTINUED)

|                                     | Note | Advance<br>license<br>fees<br>RM'000 | Grants<br>RM'000 | Deferred<br>revenue<br>RM'000 | Total<br>RM'000 |
|-------------------------------------|------|--------------------------------------|------------------|-------------------------------|-----------------|
| <b>Group</b>                        |      |                                      |                  |                               |                 |
| At 1 April 2011                     |      | 74,097                               | 4,903            | -                             | 79,000          |
| Acquisition of a subsidiary company |      | -                                    | 11,688           | 25,445                        | 37,133          |
| Received during the financial year  |      | 360                                  | 1,899            | 6,561                         | 8,820           |
| Utilised during the financial year  |      | -                                    | (2,020)          | -                             | (2,020)         |
| Amortised during the financial year | 6    | (76)                                 | (1,196)          | (241)                         | (1,513)         |
| Accreted during the financial year  |      | -                                    | 366              | -                             | 366             |
| At 31 March 2012                    |      | 74,381                               | 15,640           | 31,765                        | 121,786         |
| Non-current                         |      | 74,381                               | 8,329            | 6,320                         | 89,030          |
| Current                             |      | -                                    | 7,311            | 25,445                        | 32,756          |
|                                     |      | 74,381                               | 15,640           | 31,765                        | 121,786         |

|                                     | Note | Advance<br>license<br>fees<br>RM'000 | Grants<br>RM'000 | Total<br>RM'000 |
|-------------------------------------|------|--------------------------------------|------------------|-----------------|
| <b>Group</b>                        |      |                                      |                  |                 |
| At 1 April 2010                     |      | 73,570                               | 4,607            | 78,177          |
| Effects of adopting FRS 139         |      | -                                    | 2,092            | 2,092           |
| As restated                         |      | 73,570                               | 6,699            | 80,269          |
| Received during the financial year  |      | 2,943                                | 1,194            | 4,137           |
| Amortised during the financial year | 6    | (2,416)                              | (2,990)          | (5,406)         |
| At 31 March 2011                    |      | 74,097                               | 4,903            | 79,000          |
| Non-current                         |      | 74,097                               | 4,903            | 79,000          |

### 37 LONG TERM BORROWINGS

|   | Note | Group            |                | Company          |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| <b>Secured</b>  |      |                  |                |                  |                |
| • Hire purchase and finance lease liabilities                       |      | <b>56,010</b>    | 26,760         | -                | -              |
| - Portion repayable within 12 months included under bank borrowings | 43   | <b>(22,642)</b>  | (10,356)       | -                | -              |
|   |      | <b>33,368</b>    | 16,404         | -                | -              |
| • Long term loans   |      | <b>1,938,155</b> | 301,456        | <b>780,109</b>   | -              |
| - Portion repayable within 12 months included under bank borrowings | 43   | <b>(937,743)</b> | (26,761)       | <b>(31,464)</b>  | -              |
|   |      | <b>1,000,412</b> | 274,695        | <b>748,645</b>   | -              |
| • Long term loans under Islamic financing                           |      | <b>2,178,488</b> | 336,068        | <b>2,034,946</b> | 204,517        |
| - Portion repayable within 12 months included under bank borrowings | 43   | <b>(163,925)</b> | (88,612)       | <b>(105,727)</b> | (44,570)       |
|   |      | <b>2,014,563</b> | 247,456        | <b>1,929,219</b> | 159,947        |
| <b>Unsecured</b>  |      |                  |                |                  |                |
| • Long term loans   |      | <b>10,000</b>    | -              | -                | -              |
| - Portion repayable within 12 months included under bank borrowings | 43   | <b>(442)</b>     | -              | -                | -              |
|   |      | <b>9,558</b>     | -              | -                | -              |
| • Long term loans under Islamic financing                           |      | <b>418,356</b>   | 250,000        | -                | -              |
| - Portion repayable within 12 months included under bank borrowings | 43   | <b>(696)</b>     | -              | -                | -              |
|   |      | <b>417,660</b>   | 250,000        | -                | -              |
| • Deferred liability  |      | -                | 36,686         | -                | -              |
|   |      | <b>3,475,561</b> | 825,241        | <b>2,677,864</b> | 159,947        |

(a) The hire purchase and finance lease liabilities are secured against the respective assets acquired.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 37 LONG TERM BORROWINGS (CONTINUED)

(b) Long term loans (secured and unsecured)

Group

Included in the long term loans of the Group mainly comprise the following:

- (i) A term loan of RM622,791,000 which bears floating interest rate of 5.38% at the reporting date and is repayable by bullet principal repayment to be made 2 years from date of first drawdown.
- (ii) A term loan of RM160,000,000 bears floating interest rate of 5.69% at the reporting date and is repayable by 5 equal annual instalments commencing 12 months from the date of first drawdown.
- (iii) A financing facilities ("the Facilities") totalling GBP270 million was secured by Lotus Cars Limited ("LCL"), effectively a wholly-owned subsidiary company of PROTON as follows:
  - Syndicated Term Loan Facilities GBP230 million;
  - Revolving Credit Facility GBP25 million; and
  - Working Capital Facilities GBP15 million.

The Facilities are repayable in 9 quarterly instalments from 31 March 2015 to 31 March 2017. The Revolving Credit Facility and Working Capital Facilities are repayable in full on 31 March 2017. The interest rates payable on the Facilities are as follows:

- Syndicated Term Loan Facilities and the Revolving Credit Facility is 2% per annum above the London Interbank Offered Rate ("LIBOR") plus the cost of maintaining statutory reserve on the amounts outstanding; and
- Working Capital Facilities ranges between 0.1% per month to 1.2% per annum.

The Facilities are secured by a corporate guarantee from Perusahaan Otomobil Nasional Sdn. Bhd., a wholly-owned subsidiary of PROTON. The Facilities are also subject to financial covenants such as Minimum Tangible Net Worth, Debt to Tangible Net Worth Ratio, Minimum Cash Threshold and Positive Shareholders' Funds in respect of PROTON and its subsidiary companies.

On 6 January 2012, the lenders had issued a draw stop notice on the remaining unutilised Facilities of GBP47 million as LCL has not complied with the 31 December 2011 timeline, as stipulated in the Conditions Subsequent under the Facilities agreement. On 16 May 2012, the lenders have granted an extension of time to 30 June 2012 for LCL to comply with the Conditions Subsequent.

On 20 June 2012, the Group requested the lenders to waive/extend the Conditions Subsequent under the LCL Facilities which were due to be complied by 30 June 2012, as listed below:

- i. Waiver of the requirement for the Shareholders Subscription Agreement 1, i.e. the joint venture with Youngman;
- ii. Waiver of the requirement for the Shareholders Subscription Agreement 2, i.e. agreement with Dany Taner Bahar on the subscription of Lotus Shares; and
- iii. Extension to execute the pledge over the Lotus Cars USA Inc.'s bank accounts to 31 July 2012.

Subsequently, on 6 July 2012, the lenders have agreed to grant indulgence on items (i) and (ii) above up to 31 December 2012 on the following conditions:

- To submit the revised Lotus Business Plan by 31 December 2012.
- The Group to meet the cash flows shortfall in respect of items (i) and (ii) above.

### 37 LONG TERM BORROWINGS (CONTINUED)

(b) Long term loans (secured and unsecured) (Continued)

Group (Continued)

(iii) (Continued)

The lenders have also agreed for the extension of time up to 31 July 2012 in respect of item (iii) above.

In the event that the 3 Conditions Subsequent above are not fulfilled, LCL will continue to be in technical breach and the outstanding loan amounts will continue to be classified as current liabilities.

As at 31 March 2012, Lotus Group International Limited ("LGIL"), effectively a wholly-owned subsidiary company of PROTON, was in a deficit shareholders' funds, causing a breach of covenant which resulted in the Syndicated Term Loan Facilities of RM869,690,000 to be classified as current liabilities in the financial statements of the Group as at the reporting date. On 25 May 2012, PROTON received conditional approval from the lenders to rectify the breach by the capitalisation of shareholders' loans received by LGIL before 24 July 2012. In June 2012, the capitalisation was completed.

The secured long term loans have been obtained by way of assignment of fixed and floating charges over certain property, plant and equipment, prepaid lease properties, investment properties, property development activities, shares in certain subsidiary and associated companies and inventories (Notes 13, 15, 16, 17, 18, 20 and 28). In addition, the term loan of RM160,000,000 as per item (b)(ii) above is also secured by a charge over the Revenue Account in respect of the assignments of all proceeds from any entitlements to the Company, including the repayments, distribution of capital, dividend payments and/or advances from subsidiaries and associated companies.

Company

Included in the long term loans of the Company are borrowings with terms as disclosed in Notes 37(b)(i) and 37(b)(ii) above.

(c) Long term loans under Islamic financing (secured and unsecured)

Group

Included in the long term loans under Islamic financing of the Group mainly comprise the following:

- (i) In the previous financial year, included in the long term loans under Islamic financing was the Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil of a banking subsidiary company amounting to RM250,000,000. The Bonds were under a 10 non-callable 5 basis feature, with a profit rate of 6.25% per annum payable semi-annually. The banking subsidiary company has redeemed the Bonds in September 2011.

On 15 June 2011, the banking subsidiary company issued its Tier-2 Capital Islamic Subordinated Sukuk of RM400,000,000 ("Subordinated Sukuk") which carries a tenure of 10 years from the issued date on 10 non-callable 5 basis feature with a profit rate of 5.15% per annum. The RM400,000,000 Subordinated Sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

- (ii) A term loan of RM315,000,000 which bears floating interest rate of 5.69% at the reporting date and is repayable by 5 equal annual instalments commencing 12 months from the date of first drawdown.

- (iii) Islamic Medium Term Notes ("IMTN")

On 31 October 2011, the Group obtained the approval of the Securities Commission for the establishment of the Sukuk Programme ("IMTN") of up to RM1.8 billion. The IMTN Programme is issued under the Shariah principle of Murabahah via Tawarruq arrangement and its tenure is up to 15 years from the date of first issuance. The IMTN bears profit at a rate determined at the point of issuance. The IMTN's profit is payable semi-annually in arrears from its date of issuance with the last profit payment due on maturity dates.

As at 31 March 2012, a total of RM1.57 billion IMTN was issued by the Group. The yield-to-maturity rate ranges from 4.60% to 5.33% per annum.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 37 LONG TERM BORROWINGS (CONTINUED)

(c) Long term loans under Islamic financing (secured and unsecured) (Continued)

(iii) Islamic Medium Term Notes ("IMTN") (Continued)

Group (Continued)

The long term loans under Islamic financing are secured by fixed and floating charges over certain property, plant and equipment, property development activities, shares in certain subsidiary companies and inventories (Notes 13, 17, 18 and 28). In addition, the term loan of RM315,000,000 and IMTN as disclosed in items (c)(ii) and (c)(iii) above, are also secured by a charge over the Revenue Account in respect of the assignments of all proceeds from any entitlements to the Company, including the repayments, distribution of capital, dividend payments and/or advances from subsidiaries and associated companies.

Company

Included in the long term loans under Islamic financing of the Company are borrowings with terms as disclosed in Notes 37(c)(ii) and 37(c)(iii) above.

(d) The weighted average effective annual interest rates at the end of the financial year are as follows:

|   | Group     |           | Company   |           |
|---|-----------|-----------|-----------|-----------|
|   | 2012<br>% | 2011<br>% | 2012<br>% | 2011<br>% |
| Hire purchase and finance lease liabilities | 4.36      | 3.06      | -         | -         |
| Long term loans                             | 4.84      | 2.63      | 5.44      | -         |
| Long term loans under Islamic financing     | 5.30      | 6.05      | 5.04      | 5.49      |

(e) The currency exposure profile of the long term borrowings is as follows:

|                    | Group          |                | Company        |                |
|--------------------|----------------|----------------|----------------|----------------|
|                    | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| - Ringgit Malaysia | 3,262,071      | 612,517        | 2,677,864      | 159,947        |
| - Singapore Dollar | 213,490        | 212,724        | -              | -              |
|                    | 3,475,561      | 825,241        | 2,677,864      | 159,947        |

### 37 LONG TERM BORROWINGS (CONTINUED)

(f) Hire purchase and finance lease liabilities

|  | Group          |                |
|--|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 |
| Minimum hire purchase and finance lease payments:            |                |                |
| - not later than 1 year                                      | 29,552         | 11,724         |
| - later than 1 year and not later than 2 years               | 12,862         | 11,323         |
| - later than 2 years and not later than 3 years              | 15,502         | 4,786          |
| - later than 3 years and not later than 4 years              | 5,222          | 1,327          |
| - later than 4 years and not later than 5 years              | 2,670          | 755            |
|  | <b>65,808</b>  | 29,915         |
| Future finance charges on hire purchase and finance lease    | <b>(9,798)</b> | (3,155)        |
| Present value of hire purchase and finance lease liabilities | <b>56,010</b>  | 26,760         |
| Representing hire purchase and finance lease liabilities:    |                |                |
| - non-current  | <b>33,368</b>  | 16,404         |
| - current (included in Note 43)                              | <b>22,642</b>  | 10,356         |
|  | <b>56,010</b>  | 26,760         |

(g) During the financial year, the deferred liability owing by solid waste subsidiary company to local municipalities (in relation to the transfer of certain units of movables assets from these municipalities to the subsidiary company) has been classified as current liabilities (Note 43).

(h) The exposure of long term borrowings, excluding deferred liability, to interest rate risk is as follows:

|   | Maturity profile             |                       |                       |                       |                       |                     |
|---|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
|   | Carrying<br>amount<br>RM'000 | 1 – 2 years<br>RM'000 | 2 – 3 years<br>RM'000 | 3 – 4 years<br>RM'000 | 4 – 5 years<br>RM'000 | > 5 years<br>RM'000 |
| <b>Group</b>                                |                              |                       |                       |                       |                       |                     |
| <b>2012</b>                                 |                              |                       |                       |                       |                       |                     |
| <b>Fixed rate</b>                           |                              |                       |                       |                       |                       |                     |
| Hire purchase and finance lease liabilities | 33,368                       | 14,165                | 7,498                 | 7,009                 | 4,643                 | 53                  |
| Long term loans                             | 151,629                      | 40,997                | 37,275                | 37,050                | 34,636                | 1,671               |
| Long term loans under Islamic financing     | 2,112,860                    | 36,561                | 34,960                | 25,674                | 333,899               | 1,681,766           |
|   | <b>2,297,857</b>             | <b>91,723</b>         | <b>79,733</b>         | <b>69,733</b>         | <b>373,178</b>        | <b>1,683,490</b>    |
| <b>Floating rate</b>                        |                              |                       |                       |                       |                       |                     |
| Long term loans                             | 858,341                      | 850,281               | 5,100                 | 2,960                 | -                     | -                   |
| Long term loans under Islamic financing     | 319,363                      | 102,831               | 83,831                | 70,891                | 61,810                | -                   |
|   | <b>1,177,704</b>             | <b>953,112</b>        | <b>88,931</b>         | <b>73,851</b>         | <b>61,810</b>         | <b>-</b>            |
|   | <b>3,475,561</b>             | <b>1,044,835</b>      | <b>168,664</b>        | <b>143,584</b>        | <b>434,988</b>        | <b>1,683,490</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 37 LONG TERM BORROWINGS (CONTINUED)

(h) The exposure of long term borrowings, excluding deferred liability, to interest rate risk is as follows: (Continued)

|   | Maturity profile             |                       |                       |                       |                       |                     |
|---|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
|   | Carrying<br>amount<br>RM'000 | 1 – 2 years<br>RM'000 | 2 – 3 years<br>RM'000 | 3 – 4 years<br>RM'000 | 4 – 5 years<br>RM'000 | > 5 years<br>RM'000 |
| <b>Group</b>                                |                              |                       |                       |                       |                       |                     |
| <b>2011</b>                                 |                              |                       |                       |                       |                       |                     |
| <b>Fixed rate</b>                           |                              |                       |                       |                       |                       |                     |
| Hire purchase and finance lease liabilities | 16,404                       | 8,186                 | 6,514                 | 1,103                 | 601                   | -                   |
| Long term loans                             | 30,471                       | 9,024                 | 9,024                 | 5,756                 | 5,756                 | 911                 |
| Long term loans under Islamic financing     | 497,456                      | 96,951                | 70,306                | 39,240                | 11,710                | 279,249             |
|   | 544,331                      | 114,161               | 85,844                | 46,099                | 18,067                | 280,160             |
| <b>Floating rate</b>                        |                              |                       |                       |                       |                       |                     |
| Long term loans                             | 244,224                      | 25,861                | 218,363               | -                     | -                     | -                   |
|   | 788,555                      | 140,022               | 304,207               | 46,099                | 18,067                | 280,160             |
| <b>Company</b>                              |                              |                       |                       |                       |                       |                     |
| <b>2012</b>                                 |                              |                       |                       |                       |                       |                     |
| <b>Fixed rate</b>                           |                              |                       |                       |                       |                       |                     |
| Long term loan under Islamic financing      | <b>1,634,443</b>             | <b>11,327</b>         | <b>11,327</b>         | <b>11,327</b>         | <b>324,775</b>        | <b>1,275,687</b>    |
| <b>Floating rate</b>                        |                              |                       |                       |                       |                       |                     |
| Long term loan under Islamic financing      | <b>294,776</b>               | <b>94,944</b>         | <b>75,944</b>         | <b>61,944</b>         | <b>61,944</b>         | -                   |
| Long term loans                             | <b>748,645</b>               | <b>654,253</b>        | <b>31,464</b>         | <b>31,464</b>         | <b>31,464</b>         | -                   |
|   | <b>2,677,864</b>             | <b>760,524</b>        | <b>118,735</b>        | <b>104,735</b>        | <b>418,183</b>        | <b>1,275,687</b>    |
| <b>2011</b>                                 |                              |                       |                       |                       |                       |                     |
| <b>Fixed rate</b>                           |                              |                       |                       |                       |                       |                     |
| Long term loan under Islamic financing      | 75,947                       | 11,570                | 11,709                | 11,709                | 11,710                | 29,249              |
| <b>Floating rate</b>                        |                              |                       |                       |                       |                       |                     |
| Long term loan under Islamic financing      | 84,000                       | 33,000                | 33,000                | 18,000                | -                     | -                   |
|   | 159,947                      | 44,570                | 44,709                | 29,709                | 11,710                | 29,249              |

### 37 LONG TERM BORROWINGS (CONTINUED)

(i) Fair value

- Fair values of fixed rate long term borrowings and deferred liability are as follows:

|   | 2012                      |                      | 2011                      |                      |
|---|---------------------------|----------------------|---------------------------|----------------------|
|   | Carrying amount<br>RM'000 | Fair value<br>RM'000 | Carrying amount<br>RM'000 | Fair value<br>RM'000 |
| <b>Group</b>                                |                           |                      |                           |                      |
| Deferred liability                          | -                         | -                    | 36,686                    | 36,686               |
| Hire purchase and finance lease liabilities | 33,368                    | 32,889               | 16,404                    | 15,951               |
| Long term loans                             | 151,629                   | 149,607              | 30,471                    | 25,087               |
| Long term loans under Islamic financing     | 2,112,860                 | 2,111,531            | 497,456                   | 477,028              |
|   | <b>2,297,857</b>          | <b>2,294,027</b>     | 581,017                   | 554,752              |

### 38 PROVISION FOR LIABILITIES AND CHARGES

|                                     | Note | Warranty<br>RM'000 | Sales<br>returns<br>RM'000 | Total<br>RM'000 |
|-------------------------------------|------|--------------------|----------------------------|-----------------|
| <b>Group</b>                        |      |                    |                            |                 |
| <b>2012</b>                         |      |                    |                            |                 |
| At 1 April                          |      | 3,926              | 280                        | 4,206           |
| Acquisition of a subsidiary company |      | 141,269            | -                          | 141,269         |
| Currency translation differences    |      | (2)                | -                          | (2)             |
| Charge                              | 6    | 5,081              | 593                        | 5,674           |
| Utilised                            |      | (3,605)            | (461)                      | (4,066)         |
| Unused amounts reversed             | 6    | (3,516)            | (82)                       | (3,598)         |
| At 31 March                         |      | 143,153            | 330                        | 143,483         |
| Non-current                         |      | 824                | -                          | 824             |
| Current                             |      | 142,329            | 330                        | 142,659         |
|                                     |      | 143,153            | 330                        | 143,483         |
| <b>2011</b>                         |      |                    |                            |                 |
| At 1 April                          |      | 4,891              | 335                        | 5,226           |
| Currency translation differences    |      | (29)               | -                          | (29)            |
| Charge                              | 6    | 2,710              | 572                        | 3,282           |
| Utilised                            |      | (2,752)            | (455)                      | (3,207)         |
| Unused amounts reversed             | 6    | (894)              | (172)                      | (1,066)         |
| At 31 March                         |      | 3,926              | 280                        | 4,206           |
| Non-current                         |      | 761                | -                          | 761             |
| Current                             |      | 3,165              | 280                        | 3,445           |
|                                     |      | 3,926              | 280                        | 4,206           |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 39 PROVISION FOR CONCESSION ASSETS

|   | Group          |                |
|---|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April                                      | -              | -              |
| Additions                                       | 331,562        | -              |
| At 31 March                                     | 331,562        | -              |
| Non-current                                     | 149,594        | -              |
| Current   | 181,968        | -              |
|   | 331,562        | -              |
| Non-current:                                    |                |                |
| - later than 1 year and not later than 2 years  | 147,377        | -              |
| - later than 2 years and not later than 5 years | 52             | -              |
| - later than 5 years                            | 2,165          | -              |
|   | 149,594        | -              |

As disclosed in Note 2.28(iii), the above represents the contractual obligation by a subsidiary company in relation to the Service Concession Agreement.

40 DEPOSITS FROM CUSTOMERS OF A BANKING SUBSIDIARY COMPANY

|                                       | Group             |                |
|---------------------------------------|-------------------|----------------|
|                                       | 2012<br>RM'000    | 2011<br>RM'000 |
| <b>Non-Mudharabah Fund</b>            |                   |                |
| Demand deposits                       | 2,565,993         | 2,733,229      |
| Saving deposits                       | 469,668           | 474,725        |
| Negotiable Islamic debts certificates | 2,830,628         | 1,500,971      |
| Others                                | 536,112           | 17,582         |
|                                       | <b>6,402,401</b>  | 4,726,507      |
| <b>Mudharabah Fund</b>                |                   |                |
| Demand deposits                       | 472,685           | 217,094        |
| Saving deposits                       | 355,220           | 222,945        |
| General investment deposits           | 9,371,532         | 9,211,759      |
| Special general investment deposits   | 1,074,766         | 1,461,596      |
|                                       | <b>11,274,203</b> | 11,113,394     |
|                                       | <b>17,676,604</b> | 15,839,901     |
| Non-current                           | 24,207            | 27,082         |
| Current                               | 17,652,397        | 15,812,819     |
|                                       | <b>17,676,604</b> | 15,839,901     |

- (a) The fair value of deposits from customers are estimated to approximate their carrying amounts as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.
- (b) The deposits from customers of a banking subsidiary company are denominated as follows:

|                    | Group             |                |
|--------------------|-------------------|----------------|
|                    | 2012<br>RM'000    | 2011<br>RM'000 |
| - Ringgit Malaysia | 17,042,057        | 15,535,713     |
| - US Dollar        | 609,008           | 304,188        |
| - Euro             | 25,539            | -              |
|                    | <b>17,676,604</b> | 15,839,901     |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 40 DEPOSITS FROM CUSTOMERS OF A BANKING SUBSIDIARY COMPANY (CONTINUED)

(c) The maturity period of the deposits from customers of a banking subsidiary company is as follows:

|   | Group             |                |
|---|-------------------|----------------|
|   | 2012<br>RM'000    | 2011<br>RM'000 |
| - not later than 6 months                       | 17,027,760        | 15,345,688     |
| - later than 6 months and not later than 1 year | 624,637           | 467,131        |
| - later than 1 year and not later than 5 years  | 24,207            | 27,082         |
|   | <b>17,676,604</b> | 15,839,901     |

(d) The weighted average effective annual profit rate of deposits from customers of a banking subsidiary at the end of the financial year is 2.70% (2011: 2.29%).

### 41 GENERAL AND LIFE INSURANCE CONTRACT LIABILITIES

|   | Note | ← 2012 →        |                            |                | ← 2011 →        |                            |               |
|---|------|-----------------|----------------------------|----------------|-----------------|----------------------------|---------------|
|   |      | Gross<br>RM'000 | Re-<br>insurance<br>RM'000 | Net<br>RM'000  | Gross<br>RM'000 | Re-<br>Insurance<br>RM'000 | Net<br>RM'000 |
| General insurance contract liabilities (net of deferred acquisition cost/reinsurance) | (a)  | 617,500         | (227,466)                  | 390,034        | 646,380         | (270,290)                  | 376,090       |
| Life insurance contract liabilities   | (b)  | 55,696          | (11,366)                   | 44,330         | 62,202          | -                          | 62,202        |
|   |      | <b>673,196</b>  | <b>(238,832)</b>           | <b>434,364</b> | 708,582         | (270,290)                  | 438,292       |
| (a) General insurance contract liabilities  |      |                 |                            |                |                 |                            |               |
| (i) Claim liabilities   |      |                 |                            |                |                 |                            |               |
| - Provision for claims  |      | 294,624         | (119,563)                  | 175,061        | 319,315         | (104,064)                  | 215,251       |
| - Provision for incurred but not reported   |      | 118,440         | (31,283)                   | 87,157         | 131,392         | (67,006)                   | 64,386        |
|   |      | <b>413,064</b>  | <b>(150,846)</b>           | <b>262,218</b> | 450,707         | (171,070)                  | 279,637       |
| (ii) Premium liabilities  |      | 204,436         | (76,620)                   | 127,816        | 195,673         | (99,220)                   | 96,453        |
|   |      | <b>617,500</b>  | <b>(227,466)</b>           | <b>390,034</b> | 646,380         | (270,290)                  | 376,090       |
| (b) Life insurance contract liabilities   |      |                 |                            |                |                 |                            |               |
| (i) Provision for claims  | 35   | 55,696          | (11,366)                   | 44,330         | 62,202          | -                          | 62,202        |
|   |      | <b>673,196</b>  | <b>(238,832)</b>           | <b>434,364</b> | 708,582         | (270,290)                  | 438,292       |

## 42 TRADE AND OTHER PAYABLES

|  | Note | Group            |                | Company          |                |
|--|------|------------------|----------------|------------------|----------------|
|  |      | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| Trade payables                             |      | <b>2,223,706</b> | 610,276        | <b>1,072</b>     | 4,227          |
| Other payables and accruals                |      | <b>3,513,920</b> | 1,311,222      | <b>1,582,596</b> | 15,920         |
| Progress billings                          |      | <b>3,294</b>     | 13,754         | -                | -              |
| Amounts due to subsidiary companies        |      | -                | -              | <b>3,734</b>     | 184,224        |
| Amounts due to jointly controlled entities |      | <b>28,274</b>    | 18,283         | -                | -              |
| Amounts due to associated companies        |      | <b>5,948</b>     | 18,414         | -                | -              |
| Amounts due to related parties             |      | <b>108,862</b>   | 76,367         | -                | -              |
| Amounts due to customers on contracts      | 49   | <b>13</b>        | 85             | -                | -              |
|  |      | <b>5,884,017</b> | 2,048,401      | <b>1,587,402</b> | 204,371        |

(a) The currency exposure profile of trade and other payables is as follows:

|                    | Group            |                | Company          |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| - Ringgit Malaysia | <b>5,274,415</b> | 1,994,400      | <b>1,587,402</b> | 204,371        |
| - Pound Sterling   | <b>336,048</b>   | -              | -                | -              |
| - US Dollar        | <b>185,212</b>   | 5,226          | -                | -              |
| - Thai Baht        | <b>29,619</b>    | 5,011          | -                | -              |
| - Singapore Dollar | <b>28,184</b>    | 34,605         | -                | -              |
| - Japanese Yen     | <b>16,326</b>    | 7,262          | -                | -              |
| - Others           | <b>14,213</b>    | 1,897          | -                | -              |
|                    | <b>5,884,017</b> | 2,048,401      | <b>1,587,402</b> | 204,371        |

(b) The Group's and the Company's normal trade payables terms range from 30 to 180 days (2011: 30 to 90 days).

(c) In the previous financial year, included in amounts due to subsidiary companies are interest bearing loan of RM175,578,000 which was charged at 2.25% per annum. The Company has settled the loan during the financial year.

(d) All other amounts due to subsidiary companies, jointly controlled entities, associated companies and related parties are non-interest bearing, unsecured and repayable on demand.

(e) Included in other payables and accruals of the Group and the Company is an amount of RM1,510,032,199 payable to the remaining non-controlling interest shareholders under the PROTON MGO. In accordance with Section 218(2) of the Capital Markets and Services Act, 2007 and Section 9(1), Part III of the Malaysian Code on Take-Overs and Mergers, 2010, the Company is obliged to extend a mandatory general offer ("MGO") for all the remaining PROTON Shares not owned for a cash consideration of RM5.50 per PROTON Share. The MGO was fully funded by bank borrowings subsequent to the financial year end.

(f) In the previous financial year, included in other payables and accruals was the balance of purchase price owing to Danaharta Hartanah Sdn. Bhd. of RM238,950,000 for the land held for property development of the subsidiary companies. This amount was fully settled during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 43 BANK BORROWINGS

|   | Note  | Group            |                | Company        |                |
|---|-------|------------------|----------------|----------------|----------------|
|   |       | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| (i) <b>Bank overdrafts</b>  |       |                  |                |                |                |
| - secured   |       | 5,005            | 326            | -              | -              |
| - unsecured   |       | 4,763            | 5,671          | -              | -              |
|   |       | <b>9,768</b>     | 5,997          | -              | -              |
| (ii) <b>Other bank borrowings</b>   |       |                  |                |                |                |
| <u>Secured</u>  |       |                  |                |                |                |
| Bankers acceptances   |       | 6,788            | 20,201         | -              | -              |
| Revolving credits   |       | 257,148          | 5,537          | -              | -              |
| Hire purchase and finance lease liabilities –<br>portion repayable within 12 months | 37    | 22,642           | 10,356         | -              | -              |
| Long term loans – portion repayable within<br>12 months                             | 37    | 937,743          | 26,761         | 31,464         | -              |
| Long term loans under Islamic financing –<br>portion repayable within 12 months     | 37    | 163,925          | 88,612         | 105,727        | 44,570         |
| <u>Unsecured</u>  |       |                  |                |                |                |
| Bankers acceptances   |       | 289,630          | 174,824        | -              | -              |
| Revolving credits   |       | 177,524          | 182,400        | 146,000        | 146,000        |
| Short term loans  |       | 3,678            | 6,489          | -              | -              |
| Long term loans – portion repayable within<br>12 months                             | 37    | 442              | -              | -              | -              |
| Long term loans under Islamic financing –<br>portion repayable within 12 months     | 37    | 696              | -              | -              | -              |
| Deferred liability  | 37(g) | 21,971           | -              | -              | -              |
|   |       | <b>1,882,187</b> | 515,180        | <b>283,191</b> | 190,570        |
|   |       | <b>1,891,955</b> | 521,177        | <b>283,191</b> | 190,570        |

(a) The currency exposure profile of bank overdrafts and other bank borrowings is as follows:

|                    | Group            |                | Company        |                |
|--------------------|------------------|----------------|----------------|----------------|
|                    | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| - Pound Sterling   | 993,339          | -              | -              | -              |
| - Ringgit Malaysia | 892,499          | 509,827        | 283,191        | 190,570        |
| - Thai Baht        | 3,678            | 6,489          | -              | -              |
| - Singapore Dollar | 2,439            | 4,861          | -              | -              |
|                    | <b>1,891,955</b> | 521,177        | <b>283,191</b> | 190,570        |

(b) The secured bank overdrafts, bankers acceptances and revolving credits are secured by way of fixed and floating charges over certain property, plant and equipment, prepaid lease properties, investment properties, property development costs and inventories (Notes 13, 15, 16, 17 and 28).

#### 43 BANK BORROWINGS (CONTINUED)

- (c) The weighted average effective annual interest rates of the bank overdrafts and other bank borrowings at the end of the financial year are as follows:

|                     | Group     |           | Company   |           |
|---------------------|-----------|-----------|-----------|-----------|
|                     | 2012<br>% | 2011<br>% | 2012<br>% | 2011<br>% |
| Bank overdrafts     | 7.89      | 7.66      | -         | -         |
| Bankers acceptances | 3.72      | 3.67      | -         | -         |
| Revolving credits   | 5.34      | 5.52      | 5.91      | 5.58      |
| Short term loans    | 4.19      | 3.55      | -         | -         |

#### 44 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

|                       | Group          |                |
|-----------------------|----------------|----------------|
|                       | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>Non-Mudharabah</b> |                |                |
| Bank Negara Malaysia  | 11,896         | 14,993         |

The above are denominated in Ringgit Malaysia and the average maturity period is not exceeding 1 year (2011: 6 months).

#### 45 BILLS AND ACCEPTANCES PAYABLE

- (a) Bills and acceptances payable are denominated in Ringgit Malaysia and the average maturity period is not exceeding 6 months (2011: 6 months).
- (b) The weighted average effective annual interest rate of bills and acceptances payable at the end of the financial year is as follows:

|                               | Group     |           |
|-------------------------------|-----------|-----------|
|                               | 2012<br>% | 2011<br>% |
| Bills and acceptances payable | 3.16      | 2.87      |

#### 46 SHARE PREMIUM

|                     | Group and Company |                |
|---------------------|-------------------|----------------|
|                     | 2012<br>RM'000    | 2011<br>RM'000 |
| At 1 April/31 March | 20,701            | 20,701         |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 47 MERGER RESERVE

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April/31 March | 911,016        | 911,016        | 2,318,321      | 2,318,321      |

Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premiums on the shares issued by the Company as consideration for the acquisitions of certain subsidiary companies in the financial year ended 31 March 2001 were not recorded as share premium. The difference between the issue price and the nominal value of shares issued were classified as merger reserve.

### 48 OTHER RESERVES

|  | Group          |                |
|--|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>Non-distributable</b>   |                |                |
| Capital redemption reserve arising from redemption of preference shares  | 2,556          | 2,156          |
| Share of associated companies' reserves                                  | 1,111          | 4,603          |
| Share of subsidiary companies' statutory reserve                         | 155,207        | 127,206        |
| Asset revaluation reserve on step up acquisition of subsidiary companies | 21,101         | 21,101         |
| Fair valuation reserve on investment properties                          | 2,726          | 1,129          |
|  | <b>182,701</b> | 156,195        |

### 49 CONSTRUCTION CONTRACTS

|                                   | Note | Group          |                |
|-----------------------------------|------|----------------|----------------|
|                                   |      | 2012<br>RM'000 | 2011<br>RM'000 |
| Aggregate contract costs incurred |      | 266,911        | 51,654         |
| Recognised profits                |      | 53,996         | 10,278         |
|                                   |      | <b>320,907</b> | 61,932         |
| Less: Progress billings           |      | (137,280)      | (58,331)       |
|                                   |      | <b>183,627</b> | 3,601          |

Analysed as follows:

|   |    |                |       |
|---|----|----------------|-------|
| Amounts due from customers on contracts | 29 | 183,640        | 3,545 |
| Amount due from a related party         |    | -              | 141   |
| Amounts due to customers on contracts   | 42 | (13)           | (85)  |
|   |    | <b>183,627</b> | 3,601 |

## 50 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 March 2012, the Company has sufficient Section 108 tax credits (which expires on 31 December 2013) to pay RM87,940,000 (2011: RM174,935,000) of the retained earnings of the Company as franked dividends. In addition, the Company has tax exempt income of RM176,990,000 (2011: RM176,990,000) available as at 31 March 2012.

## 51 POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group operates a funded defined benefit plan in respect of a foreign subsidiary company and also unfunded defined benefit plans for eligible employees of certain subsidiary companies.

(a) The amount shown in the statement of financial position is presented as follows:

|                                       | Group          |                |
|---------------------------------------|----------------|----------------|
|                                       | 2012<br>RM'000 | 2011<br>RM'000 |
| Present value of funded obligations   | 364,459        | -              |
| Fair value of plan assets             | (358,137)      | -              |
| Shortfall of funded plan              | 6,322          | -              |
| Present value of unfunded obligations | 11,223         | 10,387         |
| Unrecognised net actuarial loss       | (2,233)        | -              |
| <b>Benefit liability</b>              | <b>15,312</b>  | <b>10,387</b>  |
| Non-current                           | 15,298         | 10,293         |
| Current                               | 14             | 94             |
|                                       | <b>15,312</b>  | <b>10,387</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 51 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Changes in present value of defined benefit obligation are as follows:

|   |      | Group          |                |
|---|------|----------------|----------------|
|   | Note | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April                                |      | 10,387         | 9,896          |
| Acquisition of a subsidiary company       |      | 364,459        | -              |
| Charged/(credited) to profit or loss      | 8    |                |                |
| Current service cost                      |      | 638            | 731            |
| Interest cost                             |      | 481            | 481            |
| Actuarial loss on obligation              |      | 10             | -              |
| Provision/(reversal) of past service cost |      | 83             | (218)          |
|   |      | 1,212          | 994            |
| Benefits paid                             |      | (376)          | (503)          |
| At 31 March                               |      | 375,682        | 10,387         |
| Present value of funded obligations       |      | 364,459        | -              |
| Present value of unfunded obligations     |      | 11,223         | 10,387         |

(c) Changes in present value of plan assets are as follows:

|                                     |  | Group          |                |
|-------------------------------------|--|----------------|----------------|
|                                     |  | 2012<br>RM'000 | 2011<br>RM'000 |
| At 1 April                          |  | -              | -              |
| Acquisition of a subsidiary company |  | 358,137        | -              |
| At 31 March                         |  | 358,137        | -              |

(d) The principal actuarial assumptions used in the latest actuarial valuation are as follows:

|                                      | 2012        | 2011        |
|--------------------------------------|-------------|-------------|
| Discount rate (%)                    | 4.25 - 8.76 | 6.20 - 8.76 |
| Expected rate of salary increase (%) | 4.30 - 8.00 | 5.00 - 8.00 |

## 52 SUMMARY OF EFFECTS OF ACQUISITION OF COMPANIES

### 2012

#### (i) Subsidiary companies

- (a) On 1 April 2011, HICOM Terang Sdn. Bhd. ("HTSB"), a wholly-owned subsidiary company of the Group was incorporated. The issued and paid-up share capital of HTSB is RM2.00 comprising 2 ordinary shares of RM1.00 each. On 29 June 2012, HTSB changed its name to DRB-HICOM Environmental Services Sdn. Bhd.
- (b) On 25 May 2011, HICOM-Potenza Sports Cars Sdn. Bhd. ("HPSC") increased its issued and paid-up share capital from RM2.00 to RM5,000,000 by issuance of 4,999,998 new ordinary shares of RM1.00 each. HICOM Holdings Berhad, effectively a 100% owned subsidiary of the Group, subscribed 4,499,998 ordinary shares in HPSC representing 90% equity interest.
- (c) On 9 September 2011, Automotive Corporation (Malaysia) Sdn. Bhd. ("ACM"), an indirect wholly-owned subsidiary of the Group, completed the acquisition of 375,000 ordinary shares of RM1.00 each and 150,000 ordinary shares of RM1.00 each representing 5% and 2% respectively of the issued and paid up share capital of HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd. ("HAMM") from Itochu Corporation and Lion Motor Sdn. Bhd. for a total cash consideration of RM262,500. As a result, HAMM became a wholly-owned subsidiary company of the Group. On 3 January 2012, HICOM Holdings Berhad completed the acquisition of the entire equity interest in HAMM from ACM via an internal re-organisation.
- (d) On 4 October 2011 and 5 December 2011, HICOM Indungan Sdn. Bhd., an indirect wholly-owned subsidiary of the Group, completed the acquisition of 18.75% and 6.25% equity interest of Rebak Island Marina Berhad ("Rebak") from Lembaga Pembangunan Langkawi and Mofaz (M) Sdn. Bhd. respectively for a total cash consideration of approximately RM15,130,000. As a result, Rebak became a wholly-owned subsidiary company of the Group.
- (e) On 6 October 2011, HICOM Holdings Berhad completed the acquisition of the entire equity interest comprising 1,000,000 ordinary shares of RM1.00 each in HICOM Auto Sdn. Bhd. (formerly known as Auto Prominence (M) Sdn. Bhd.) from Automotive Corporation (Malaysia) Sdn. Bhd. via an internal re-organisation.
- (f) On 21 October 2011, Edaran Otomobil Nasional Berhad ("EON"), a wholly-owned subsidiary company of the Group, acquired an additional 15% equity interest in Multi Automotive Service & Assist Sdn. Bhd. ("MASA") from Saripati (Malaysia) Sdn. Bhd. for a total cash consideration of RM36,500. As a result, EON's equity interest in MASA increased from 55% to 70%.
- (g) On 16 January 2012, the Company entered into a conditional share sale and purchase agreement ("SSPA") with Khazanah Nasional Berhad ("KNB") to acquire 234,734,693 ordinary shares of RM1.00 each in PROTON Holdings Berhad ("PROTON") ("PROTON Shares"), representing approximately 42.74% of the issued and paid-up capital of PROTON for a total cash consideration of RM1.29 billion or RM5.50 per PROTON Share. On 17 January 2012, the Company acquired 7.27% equity (or 39,927,000 PROTON Shares) from the open market at prices ranging from RM5.40 to RM5.47 per PROTON share, for a total cash consideration of RM217,431,000. On 16 March 2012, the acquisition of 42.74% equity interest in PROTON from KNB was completed. As a result, PROTON became a subsidiary of the Group as at 16 March 2012.

Upon the acquisition becoming unconditional, the mandatory general offer ("MGO") was triggered whereby the Company was required to offer to the non-controlling interest shareholders of PROTON to sell their shares at an offer price of RM5.50 per PROTON Share. Under the requirement of FRS 127 Consolidated and Separate Financial Statements, both the acquisition and the MGO are inter-linked and hence have been accounted for as a single transaction. The MGO was completed subsequent to the financial year-end and the PROTON Shares were fully acquired by the Company on 26 June 2012.

Subsequent to the acquisition of PROTON, Proton Parts Centre Sdn. Bhd., previously an indirect 45% jointly controlled entity, became an indirect wholly-owned subsidiary of the Group.

The initial accounting for PROTON's business combination in the consolidated financial statements of DRB-HICOM Berhad involves identifying and determining the fair values to be assigned to PROTON's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 31 March 2012, the fair value of PROTON's identifiable assets, liabilities and contingent liabilities can only be determined provisionally pending the completion of purchase price allocation ("PPA") on PROTON's identifiable assets, liabilities and contingent liabilities. The PROTON's business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within 12 months from the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 52 SUMMARY OF EFFECTS OF ACQUISITION OF COMPANIES (CONTINUED)

#### 2012 (Continued)

#### (i) Subsidiary companies (Continued)

#### (g) (Continued)

Details of cash flow arising from the acquisition are as follows:

|   | RM'000         |
|---|----------------|
| Purchase consideration, settled in cash (including the direct expenses attributable to the acquisition) | 1,509,573      |
| Cash and cash equivalents arising from acquisition of a subsidiary company                              | (1,112,167)    |
| Cash outflow from acquisition of a subsidiary company   | <b>397,406</b> |

PROTON contributed revenue of approximately RM312.78 million and profit after taxation of approximately RM8.29 million to the Group for the period from the date of acquisition to 31 March 2012. Had the acquisition taken effect at the beginning of the financial year, the revenue and loss after taxation contributed to the Group would have been RM8.01 billion and RM606.31 million respectively.

Details of net assets acquired, negative goodwill (gain on bargain purchase) arising from the above acquisition are as follows:

|  | Carrying value<br>RM'000 | Fair value<br>RM'000 |
|--|--------------------------|----------------------|
| Property, plant and equipment                          | 2,708,738                | 2,663,638            |
| Intangible assets                                      | 1,351,879                | 1,033,929            |
| Jointly controlled entities                            | 231,141                  | 231,141              |
| Associated companies                                   | 126,890                  | 126,890              |
| Investment securities: held-to-maturity                | 146,910                  | 73,910               |
| Deferred tax assets                                    | 5,828                    | 5,828                |
| Inventories  | 1,035,572                | 995,572              |
| Trade and other receivables                            | 909,279                  | 788,779              |
| Tax recoverable  | 30,165                   | 30,165               |
| Investment securities: available-for-sale              | 3,430                    | 3,430                |
| Short term deposits                                    | 43,534                   | 43,534               |
| Cash and bank balances                                 | 1,068,633                | 1,068,633            |
| Trade and other payables                               | (1,383,943)              | (1,615,443)          |
| Deferred income  | (37,133)                 | (37,133)             |
| Provision for liabilities and charges                  | (141,269)                | (141,269)            |
| Bank borrowings - others                               | (1,114,980)              | (1,114,980)          |
| Derivative liabilities                                 | (95)                     | (95)                 |
| Current tax liabilities                                | (35,775)                 | (35,775)             |
| Long term borrowings                                   | (499)                    | (499)                |
| Net assets acquired                                    | 4,948,305                | 4,120,255            |
| Deconsolidation of a jointly controlled entity         | (130,229)                | (130,229)            |
|  | <b>4,818,076</b>         | <b>3,990,026</b>     |
| Negative goodwill (gain on bargain purchase)           |                          | (971,522)            |
| Total purchase consideration (including MGO liability) |                          | <b>3,018,504</b>     |

## 52 SUMMARY OF EFFECTS OF ACQUISITION OF COMPANIES (CONTINUED)

### 2012 (Continued)

#### (i) Subsidiary companies (Continued)

- (h) As a resultant from the acquisition of PROTON, the Group's effective interest in PHN Industry Sdn. Bhd. and Proton City Development Corporation Sdn. Bhd. increased from 62.50% and 60% to 97.50% and 100% respectively.
- (i) On 20 March 2012, Edaran Otomobil Nasional Berhad, a wholly-owned subsidiary company of the Group, completed the acquisition of the entire equity interest comprising 500,000 shares of RM1.00 each in DRB-HICOM Leasing Sdn. Bhd. (formerly known as EON Inovasi Sdn. Bhd.) from EON Trading Sdn. Bhd. via an internal re-organisation.
- (j) On 28 March 2012, Glenmarie Properties Sdn. Bhd. ("GPSB"), a wholly-owned subsidiary company of the Group, acquired the entire 36% and 15% equity interests in HICOM Megah Sdn. Bhd. ("HMSB") from Edaran Otomobil Nasional Berhad and HICOM Berhad respectively via an internal re-organisation. As a result, HMSB became a direct wholly-owned subsidiary of GPSB.

#### (ii) Associated companies

- (a) On 22 April 2011, the Company entered into a Share Sale and Purchase Agreement ("SPA") with Khazanah Nasional Berhad ("KNB") to acquire 172,997,399 ordinary shares of POS Malaysia Berhad ("POSM") of RM0.50 each ("POSM Share"), representing approximately 32.21% of the total issued and paid-up share capital of POSM for a total cash consideration of up to approximately RM622,791,000 or at a purchase price of up to RM3.60 per POSM Share, of which up to RM0.10 per POSM Share is a refundable amount. The SPA was completed on 1 July 2011 and as a result, POSM became an associated company of the Group. On 11 January 2012, KNB has refunded RM17,300,000 which is equivalent to RM0.10 per POSM Share.
- (b) On 31 December 2011, HICOM Holdings Berhad ("HHB") converted its convertible redeemable loan stock of RM163,374 in Niro Ceramic (M) Sdn. Bhd. ("Niro Ceramic") into 73,262 new ordinary shares of RM1.00 each at the conversion price of RM2.23. Based on the enlarged share capital, HHB's shareholding in Niro Ceramic is 21.01%.

### 2011

#### (iii) Subsidiary companies

- (a) On 7 June 2010, Rebak Island Marina Berhad ("Rebak"), effectively a 60% indirect subsidiary company of the Group, had undertaken a Renounceable Rights Issue of 12.6 million ordinary shares of RM1.00 each to its shareholders. HICOM Indungan Sdn. Bhd., the holding company of Rebak had subscribed its entitlement of 7.56 million shares and also the remaining portion of 5.04 million shares not taken up by other shareholders. As a result, Rebak became a 75% indirect subsidiary company of the Group.
- (b) On 18 June 2010, Edaran Otomobil Nasional Berhad ("EON") became a wholly-owned subsidiary of HICOM Holdings Berhad, effectively a 100% owned subsidiary company of the Group, upon completion of its capital reduction and repayment exercise. Consequently, the Group's effective interests in EON's subsidiaries, jointly controlled entities and associated companies increased accordingly. EON was delisted from Bursa Malaysia Securities Berhad with effect from 2 July 2010.

The above transaction resulted in a negative goodwill (gain on bargain purchase) amounting to RM71,216,000 which had been recognised in the consolidated statement of comprehensive income.

- (c) On 18 June 2010, Comtrac Sdn. Bhd., effectively a 70% indirect subsidiary company of the Group, acquired the remaining 3% equity stake in Comtrac Builders Sdn. Bhd. ("CBSB") for a cash consideration of RM12,000. As a result, CBSB became a 70% indirect subsidiary company of the Group. There was no financial impact from the above transaction.
- (d) On 20 August 2010, Edaran Otomobil Nasional Berhad ("EON") acquired 55% equity stake in Multi Automotive Service and Assist Sdn. Bhd. ("MASA") from Flora Areana Sdn. Bhd., an indirect wholly-owned subsidiary of the Group. As a result, MASA became a 55% subsidiary of EON via the internal re-organisation.
- (e) On 6 October 2010, HICOM Technical and Engineering Services Sdn. Bhd., a wholly owned subsidiary company of the Group, had transferred its entire equity interest comprising 2 ordinary shares of RM1.00 each in HICOM Ventures Sdn. Bhd. ("HICOM Ventures") to HICOM Holdings Berhad. On 7 October 2010, HICOM Ventures changed its name to HICOM-Potenza Sports Cars Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 52 SUMMARY OF EFFECTS OF ACQUISITION OF COMPANIES (CONTINUED)

#### 2011 (Continued)

##### (iii) Subsidiary companies (Continued)

- (f) On 10 December 2010, HICOM Berhad, a wholly-owned subsidiary company of the Group, had completed the acquisition of the entire equity interest comprising 14,854,600 ordinary shares of RM1.00 each in HICOM Builders Sdn. Bhd. from HICOM Holdings Berhad via an internal re-organisation.

##### (iv) Associated company

On 31 December 2010, HICOM Holdings Berhad ("HHB") converted its convertible redeemable loan stock of RM163,374 into 79,308 new ordinary shares of RM1.00 each at the conversion price of RM2.06 in Niro Ceramic (M) Sdn. Bhd. ("Niro Ceramic"). As a result, HHB's shareholding in Niro Ceramic reduced from 22.25% to 21.58%.

### 53 SUMMARY OF EFFECTS OF DISPOSAL OF COMPANIES

#### 2012

##### (i) Subsidiary company

On 10 June 2011, Intrakota Komposit Sdn. Bhd., a 70% owned dormant subsidiary company of the Group, completed the Sale and Purchase of Shares Agreement with RA Focus Capital Sdn. Bhd. to dispose its entire 55.78% equity interest in Toong Fong Omnibus Company Sendirian Berhad ("TFOC") for a cash consideration of RM80,000 and as a result, TFOC ceased to be a subsidiary of the Group.

The effect of the disposal of the subsidiary company did not have material impact to the Group.

##### (ii) Associated company

On 21 October 2011, HICOM Holdings Berhad completed the disposal of its entire 30% equity stake in ZF Steerings (Malaysia) Sdn. Bhd. ("ZF Steerings") to ZF Lenksysteme GmbH for a cash consideration of RM2,730,000. As a result, ZF Steerings ceased to be an associated company of the Group.

##### (iii) Subsidiary companies

- (a) Pursuant to Section 308(2) of the Companies Act, 1965, Liku Nostalgia Sdn. Bhd. ("LKSB") and Corporate Galaxy Sdn. Bhd. ("CGSB"), dormant wholly-owned subsidiaries of Edaran Otomobil Nasional Berhad, which in turn are wholly-owned subsidiary companies of the Group had been struck off from the register and dissolved on 7 December 2010. As a result, LKSB and CGSB ceased to be subsidiary companies of the Group.

- (b) On 18 February 2011, EON Resorts Sdn. Bhd. ("ERSB"), a dormant wholly-owned subsidiary of Edaran Otomobil Nasional Berhad, which in turn is a wholly-owned subsidiary of the Group had been struck off from the register and dissolved. As a result, ERSB ceased to be a subsidiary company of the Group.

##### (iv) Associated company

On 20 August 2010, the shareholding in Midea Scott & English Electronics Sdn. Bhd. ("Midea SEE") held by HICOM Holdings Berhad ("HHB") was diluted from 40% to 30%, pursuant to the exercise of call option of 1,200,000 ordinary shares granted to an existing shareholder by HHB. As a result, the Midea SEE is a 30% indirect associated company of the Group. The gain from the dilution amounted to RM570,000.

## 54 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on terms and conditions attainable in transactions with unrelated parties.

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| <b>(a) Sale of goods/services to:</b>              |                |                |                |                |
| - Jointly controlled entities                      | 41,655         | 46,004         | -              | -              |
| - Associated companies                             | 96,406         | 94,633         | -              | -              |
| - Related parties                                  | 336,818        | 339,154        | -              | -              |
| <b>(b) Purchase of goods/services from:</b>        |                |                |                |                |
| - Jointly controlled entities                      | 453,132        | 483,661        | -              | -              |
| - Associated companies                             | 15,163         | 266,123        | -              | -              |
| - Related parties                                  | 214,355        | 223,830        | -              | -              |
| <b>(c) Interest income:</b>                        |                |                |                |                |
| - Subsidiary companies                             | -              | -              | 32,786         | 33,407         |
| <b>(d) Dividend income:</b>                        |                |                |                |                |
| - Subsidiary companies                             | -              | -              | 292,667        | 368,708        |
| - Associated companies                             | -              | -              | 83,109         | 84,071         |
| <b>(e) Inter-company loan from/to:</b>             |                |                |                |                |
| - Subsidiary companies                             |                |                |                |                |
| Repayment (net of proceeds)                        | -              | -              | (253,305)      | (219,975)      |
| <b>(f) Year end balances - banking:</b>            |                |                |                |                |
| - Related parties                                  |                |                |                |                |
| Revolving credits                                  | 240,685        | 107,828        | -              | -              |
| Bank guarantee                                     | 124,250        | 125,378        | -              | -              |
| Bonds purchased                                    | 165,964        | 173,322        | -              | -              |
| Trade line   | 243,246        | 262,252        | -              | -              |
| Short term deposits                                | 387,320        | 895,850        | -              | -              |
| Term loan  | 90,385         | 51,660         | -              | -              |
| - Jointly controlled entities                      |                |                |                |                |
| Short term deposits                                | 32,924         | -              | -              | -              |
| - Associated companies                             |                |                |                |                |
| Trade line   | -              | 13,961         | -              | -              |
| Short term deposits                                | 37,044         | 81,690         | -              | -              |
| <b>(g) Key management compensation:</b>            |                |                |                |                |
| - Salaries, bonuses, allowances and other benefits | 10,648         | 8,917          | -              | -              |
| - Defined contribution plan                        | 1,556          | 1,263          | -              | -              |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 55 CAPITAL AND OTHER COMMITMENTS

#### (a) Non-banking

##### (i) Capital commitments

Capital expenditure as at the reporting date is as follows:

|   | Group            |                |
|---|------------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 |
| Authorised capital expenditure for property, plant and equipment and intangible assets not provided for in the financial statements |                  |                |
| - contracted for  | 639,486          | 33,039         |
| - not contracted for  | 2,067,565        | 410,048        |
|   | <b>2,707,051</b> | <b>443,087</b> |

##### (ii) Operating lease commitments – as lessee

Future minimum rentals payable under commitments for non-cancellable operating leases at the reporting date are as follows:

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2012<br>RM'000 | 2011<br>RM'000 |
| Repayable within 1 year       | 9,464          | 2,461          |
| Repayable within 2 to 5 years | 5,584          | 2,536          |
|                               | <b>15,048</b>  | <b>4,997</b>   |

##### (iii) Operating lease commitments – as lessor

Future minimum rentals receivable under commitments for non-cancellable operating leases at the reporting date are as follows:

|                                | Group          |                |
|--------------------------------|----------------|----------------|
|                                | 2012<br>RM'000 | 2011<br>RM'000 |
| Receivable within 1 year       | 659            | 2,678          |
| Receivable within 2 to 5 years | 1,876          | 412            |
| Receivable more than 5 years   | 435            | -              |
|                                | <b>2,970</b>   | <b>3,090</b>   |

55 CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(b) Banking

(i) Risk weighted exposures of a banking subsidiary company are as follows:

| As at 31 March 2012   |                            |                                    |                                |
|---|----------------------------|------------------------------------|--------------------------------|
|   | Principal amount<br>RM'000 | Credit equivalent amount<br>RM'000 | Risk weighted amount<br>RM'000 |
| Direct credit substitutes   | 1,208                      | 1,208                              | 1,208                          |
| Trade-related contingencies   | 65,352                     | 13,070                             | 5,739                          |
| Transaction related contingencies                                       | 616,105                    | 308,053                            | 248,935                        |
| Obligations under an on-going underwriting agreement                    | 41,000                     | 20,500                             | 4,100                          |
| Housing financing sold directly and indirectly to Cagamas with recourse | 64,910                     | 64,910                             | 33,962                         |
| Credit extension commitment:  |                            |                                    |                                |
| - maturity within one year  | 349,478                    | 69,896                             | 65,135                         |
| - maturity exceeding one year   | 2,184,119                  | 1,092,060                          | 376,999                        |
| Bills of collection   | 19,883                     | -                                  | -                              |
| Profit rate related contracts   | 75,000                     | 6,000                              | 1,200                          |
| Foreign exchange related contracts                                      | 870,214                    | 5,001                              | 3,783                          |
|   | <b>4,287,269</b>           | <b>1,580,698</b>                   | <b>741,061</b>                 |
| As at 31 March 2011   |                            |                                    |                                |
|   | Principal amount<br>RM'000 | Credit equivalent amount<br>RM'000 | Risk weighted amount<br>RM'000 |
| Direct credit substitutes   | 11                         | 11                                 | 11                             |
| Trade-related contingencies   | 45,914                     | 9,183                              | 9,025                          |
| Transaction related contingencies                                       | 871,491                    | 435,745                            | 371,611                        |
| Obligations under an on-going underwriting agreement                    | 65,000                     | 32,500                             | 6,500                          |
| Housing financing sold directly and indirectly to Cagamas with recourse | 364,308                    | 364,308                            | 174,040                        |
| Credit extension commitment:  |                            |                                    |                                |
| - maturity within one year  | 323,002                    | 64,600                             | 55,443                         |
| - maturity exceeding one year   | 2,242,093                  | 1,121,047                          | 391,538                        |
| Bills of collection   | 37,009                     | -                                  | -                              |
| Foreign exchange related contracts                                      | 1,796,996                  | 2,131                              | 1,608                          |
|   | <b>5,745,824</b>           | <b>2,029,525</b>                   | <b>1,009,776</b>               |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 56 CONTINGENT LIABILITIES (UNSECURED)

Except as disclosed below, there are no contingencies as at the reporting date.

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| (a) Guarantees given to financial institutions in respect of facilities granted to subsidiary companies | -              | -              | 122,045        | 50,994         |
| (b) Performance bonds and guarantees given to third parties   | 19,000         | 211,610        | 3,967          | 2,016          |

As at the reporting date, no values are ascribed on these guarantees and performance bonds provided by the Group and the Company for the purpose described above as the value of the credit of enhancement provided by these guarantees and performance bonds are minimal and the probability of default based on historical track records of parties receiving these guarantees and performance bonds are remote.

### 57 GROUP SEGMENT REPORTING

The Group principally operates in Malaysia in the following main industry segments:

| Industry segment                 | Description  |
|----------------------------------|--|
| Automotive                       | Manufacturing, assembly, vehicles importation, pre-delivery inspection, distribution and sale of motor vehicles, military vehicles, motorcycles and special purpose vehicles including sale of related spares and services.  |
| Services                         | <ul style="list-style-type: none"> <li>(i) Concession - vehicle inspection, solid waste management, airport ground handling business and operations and maintenance services of a power plant.</li> <li>(ii) Banking - Islamic banking and related financial services.</li> <li>(iii) Insurance - General and life insurance services.</li> <li>(iv) Postal - Mail, courier and retail.</li> <li>(v) Other services - Trading in engineering products and higher education and vocational training institution.</li> </ul> |
| Property, Asset and Construction | Property holding, development and construction works and assets management services.   |

#### (a) Primary reporting format - business segment

Inter-segment revenue comprises revenue to other business segments carried out on an arm's length basis.

Segment results represent segment revenue less segment expenses. Unallocated expenses represent corporate operating and administrative expenses.

Segment assets consist primarily of property, plant and equipment, concession assets, prepaid lease properties, investment properties, inventories, receivables, property development costs, land held for property development, investment securities, banking related assets, cash and bank balances, derivative assets, reinsurance assets. Segment liabilities comprise mainly of payables, banking related liabilities, provision for liabilities and charges, provision for concession assets, insurance contract liabilities, derivative liabilities. Unallocated liabilities consist of accruals on corporate operating and administrative expenses.

Capital expenditure comprises additions to property, plant and equipment, concession assets, prepaid lease properties, investment properties, intangible assets, land held for property development and property development costs.

**57 GROUP SEGMENT REPORTING (CONTINUED)**

(b) Secondary reporting format - geographical segment

The Group's secondary format, by geographical location, is not shown as the activities of the Group are predominantly in Malaysia and the overseas segment does not contribute to more than 10% of the consolidated revenue and assets.

Primary reporting format - business segment

|   | Automotive<br>RM'000 | Services<br>RM'000 | Property,<br>Asset &<br>Construction<br>RM'000 | Investment<br>Holding<br>RM'000 | Group<br>RM'000 |
|---|----------------------|--------------------|--|---------------------------------|-----------------|
| <b>Financial year ended 31 March 2012</b>   |                      |                    |  |                                 |                 |
| Revenue   |                      |                    |  |                                 |                 |
| Total revenue   | 4,131,712            | 2,590,191          | 377,794  | 25,764                          | 7,125,461       |
| Inter-segment revenue   | (72,664)             | (31,407)           | (117,421)                                      | (25,764)                        | (247,256)       |
| External revenue  | 4,059,048            | 2,558,784          | 260,373  | -                               | 6,878,205       |
| Segment results   | 143,634              | 354,310            | 6,647  | 22,808                          | 527,399         |
| Unallocated expenses  |                      |                    |  |                                 | (44,625)        |
| Interest income   |                      |                    |  |                                 | 52,051          |
| Negative goodwill (gain on bargain purchase)<br>arising from acquisition of a subsidiary<br>company |                      |                    |  |                                 | 971,522         |
| Finance cost  |                      |                    |  |                                 | (152,936)       |
| Share of results of jointly controlled entities<br>(net of tax)                                     | 67,061               | -                  | 12,809   | -                               | 79,870          |
| Share of results of associated companies<br>(net of tax)  | 58,031               | 27,667             | 2,123  | -                               | 87,821          |
| Profit before taxation  |                      |                    |  |                                 | 1,521,102       |
| Taxation  |                      |                    |  |                                 | (148,019)       |
| Net profit for the financial year   |                      |                    |  |                                 | 1,373,083       |
| Attributable to:  |                      |                    |  |                                 |                 |
| Owners of the Company   |                      |                    |  |                                 | 1,292,988       |
| Non-controlling interest  |                      |                    |  |                                 | 80,095          |
| Other information   |                      |                    |  |                                 |                 |
| Segment assets  | 9,083,137            | 24,032,510         | 2,224,860                                      | 249,729                         | 35,590,236      |
| Interest bearing short term deposits  |                      |                    |  |                                 | 2,407,406       |
| Taxation assets   |                      |                    |  |                                 | 229,187         |
| Jointly controlled entities   | 350,677              | -                  | 85,581   | -                               | 436,258         |
| Associated companies  | 461,430              | 640,703            | 34,547   | -                               | 1,136,680       |
| Assets held for sale  | -                    | -                  | 673  | 20,626                          | 21,299          |
| Total assets  |                      |                    |  |                                 | 39,821,066      |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 57 GROUP SEGMENT REPORTING (CONTINUED)

Primary reporting format - business segment (Continued)

|   | Automotive<br>RM'000 | Services<br>RM'000 | Property,<br>Asset &<br>Construction<br>RM'000 | Investment<br>Holding<br>RM'000 | Group<br>RM'000 |
|---|----------------------|--------------------|--|---------------------------------|-----------------|
| <b>Financial year ended 31 March 2012<br/>(Continued)</b>       |                      |                    |  |                                 |                 |
| Segment liabilities   | 3,436,995            | 21,665,394         | 351,160  | 1,555,751                       | 27,009,300      |
| Interest bearing borrowings                                     |                      |                    |  |                                 | 5,345,545       |
| Taxation liabilities  |                      |                    |  |                                 | 120,830         |
| Unallocated liabilities   |                      |                    |  |                                 | 52,128          |
| Total liabilities   |                      |                    |  |                                 | 32,527,803      |
| Capital expenditure   | 117,879              | 427,192            | 260,710  | 12,810                          | 818,591         |
| Depreciation and amortisation                                   | 118,815              | 83,141             | 11,781   | 2,906                           | 216,643         |
| Impairment losses (net of reversal)                             | (4,294)              | (30,170)           | 2,217  | -                               | (32,247)        |
| <b>Financial year ended 31 March 2011</b>                       |                      |                    |  |                                 |                 |
| Revenue   |                      |                    |  |                                 |                 |
| Total revenue   | 4,053,873            | 2,664,536          | 168,050  | 26,144                          | 6,912,603       |
| Inter-segment revenue   | (16,162)             | (20,976)           | (45,257)                                       | (26,144)                        | (108,539)       |
| External revenue  | 4,037,711            | 2,643,560          | 122,793  | -                               | 6,804,064       |
| Segment results   | 196,494              | 340,769            | (21,503)                                       | 41,393                          | 557,153         |
| Unallocated expenses  |                      |                    |  |                                 | (44,988)        |
| Interest income   |                      |                    |  |                                 | 38,495          |
| Finance cost  |                      |                    |  |                                 | (78,088)        |
| Share of results of jointly controlled entities<br>(net of tax) | 61,312               | -                  | 9,147  | -                               | 70,459          |
| Share of results of associated companies<br>(net of tax)        | 153,400              | 1,399              | 3,694  | -                               | 158,493         |
| Profit before taxation  |                      |                    |  |                                 | 701,524         |
| Taxation  |                      |                    |  |                                 | (131,318)       |
| Net profit for the financial year                               |                      |                    |  |                                 | 570,206         |
| Attributable to:  |                      |                    |  |                                 |                 |
| Owners of the Company   |                      |                    |  |                                 | 472,468         |
| Non-controlling interest  |                      |                    |  |                                 | 97,738          |

## 57 GROUP SEGMENT REPORTING (CONTINUED)

Primary reporting format - business segment (Continued)

|   | Automotive<br>RM'000 | Services<br>RM'000 | Property,<br>Asset &<br>Construction<br>RM'000 | Investment<br>Holding<br>RM'000 | Group<br>RM'000   |
|---|----------------------|--------------------|--|---------------------------------|-------------------|
| <b>Financial year ended 31 March 2011<br/>(Continued)</b> |                      |                    |  |                                 |                   |
| Other information   |                      |                    |  |                                 |                   |
| Segment assets  | 2,045,736            | 21,766,043         | 2,044,109                                      | 234,095                         | 26,089,983        |
| Interest bearing short term deposits                      |                      |                    |  |                                 | 1,147,188         |
| Taxation assets   |                      |                    |  |                                 | 234,134           |
| Jointly controlled entities                               | 228,936              | -                  | 107,773  | -                               | 336,709           |
| Associated companies                                      | 449,692              | 301                | 34,522   | -                               | 484,515           |
| Assets held for sale                                      | 2,730                | -                  | 660  | -                               | 3,390             |
| Total assets  |                      |                    |  |                                 | <u>28,295,919</u> |
| Segment liabilities                                       | 612,994              | 19,571,460         | 552,640  | 17,519                          | 20,754,613        |
| Interest bearing borrowings                               |                      |                    |  |                                 | 1,309,732         |
| Taxation liabilities                                      |                      |                    |  |                                 | 83,099            |
| Unallocated liabilities                                   |                      |                    |  |                                 | 16,363            |
| Total liabilities   |                      |                    |  |                                 | <u>22,163,807</u> |
| Capital expenditure                                       | 75,950               | 73,342             | 73,225   | 3,449                           | <u>225,966</u>    |
| Depreciation and amortisation                             | 83,299               | 71,834             | 9,774  | 2,517                           | <u>167,424</u>    |
| Impairment losses   | 14,537               | 987                | 7,484  | -                               | <u>23,008</u>     |

## 58 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unutilised capital allowances, unutilised investment tax allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based on the likely timing and level of future taxable profits together with future tax planning strategies.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 58 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (ii) Estimate of fair value of investment properties

The Group estimates the fair values of its investment properties using market comparison method. The principal assumptions underlying these valuations are those relating to rentals, market yields, maintenance requirements and capitalisation rates and current prices of similar properties or property prices in less active markets adjusted accordingly.

Independent professional valuation is obtained as a basis for these estimates.

### (iii) Carrying value of intangible assets

The Group assesses the carrying amount of intangible assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on the cash-generating unit's operating results, approved business plans, expected market growth and industry growth, as well as future economic conditions and other data.

### (iv) Provision for product warranties

Certain subsidiary companies make provisions for product warranties based on an assessment of historical experience and industry average for defective productions. The identification of defect liability requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the provision for product warranties and will be charged to statement of comprehensive income as defective works and product warranty expenses in the period such an estimate has been changed.

The carrying amounts of provision for product warranties of defective works are disclosed in Note 38.

### (v) Provision for concession assets

Under the Service Concession Agreement, the concession subsidiary has contractual obligations to ensure that the levels of investments are sufficient to maintain the collection services and public cleansing management services to a specified standard. The subsidiary has recognised a provision for its obligation which depends on the estimated future capital expenditure to maintain the services. These judgments and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of provisions recognised in the financial statements.

The carrying amounts of provision for concession assets are disclosed in Note 39.

### (vi) Construction contracts and property development activities

The Group recognises revenue based on percentage of completion method. The stage of completion is measured by reference to the costs incurred to date to the estimated total costs. Judgment is required in determining the stage of completion, the extent of the costs incurred, the estimated total revenue (other than fixed price contracts) and costs, as well as the recoverability of the receivables. In making the judgment, the Group relied on past experience and work of specialists.

### (vii) Impairment of property, plant and equipment

The Group tests property, plant and equipment for impairment if there are any indicators of impairment. The recoverable amounts were determined based on value in use or fair value less costs to sell, where appropriate. Based on these calculations, a reversal of impairment amounted to RM2,707,000 (2011: Impairment charge of RM20,004,000) was recognised during the financial year.

### (viii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

## 58 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (ix) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

## 59 SIGNIFICANT EVENTS

- (a) On 1 July 2011, POS Malaysia Berhad ("POSM") became an associated company of the Group following the completion of the acquisition of 32.21% equity interest in POSM.
- (b) On 19 September 2011, Alam Flora Sdn. Bhd. ("AFSB"), a 60.53% indirect subsidiary company of the Group, entered into a Service Concession Agreement with the Government of Malaysia and Solid Waste and Public Cleansing Management Corporation to grant AFSB the right to undertake the collection services and public cleansing management services within the geographical area delineated for the collection services and public cleansing management services in the states of Pahang, Federal Territories of Kuala Lumpur and Putrajaya for a period of 22 years commencing from 1 September 2011.
- (c) On 31 October 2011, the Company obtained the approval of the Securities Commission for the establishment of the Sukuk Programme ("IMTN") of up to RM1.8 billion. The IMTN Programme is issued under the Shariah principle of Murabahah via Tawarruq arrangement and its tenure is up to 15 years from the date of first issuance.
- (d) On 16 January 2012, the Company entered into a conditional share sale and purchase agreement ("SSPA") with Khazanah Nasional Berhad to acquire 234,734,693 ordinary shares of RM1.00 each in PROTON Holdings Berhad ("PROTON") ("PROTON Shares"), representing approximately 42.74% of the issued and paid-up capital of PROTON for a total cash consideration of RM1.29 billion or RM5.50 per PROTON Share ("Proposed Acquisition"). On 17 January 2012, the Company acquired 39,927,000 of PROTON Shares, representing approximately 7.27% of the issued and paid-up share capital of PROTON via open market at prices ranging from RM5.40 to RM5.47 per PROTON Share. The shareholders' of the Company via the Extraordinary General Meeting held on 14 March 2012, approved the Proposed Acquisition and the Mandatory General Offer for all the remaining PROTON Shares not already owned by the Company after the Proposed Acquisition. On 16 March 2012, the Company completed the Proposed Acquisition and thus, PROTON became a 50.01% owned subsidiary of the Group.

Upon the acquisition of PROTON becoming unconditional, the Mandatory General Offer ("MGO") was triggered whereby the Company was required to offer to the non-controlling interest shareholders of PROTON to sell their shares at an offer price of RM5.50 per PROTON Share. As at 9 May 2012, the Company received acceptances amounting to 269,493,022 PROTON Shares (or 49.07%), pursuant to the MGO resulting the total shareholding in PROTON to increase to 99.08%. Subsequently, on 15 May 2012, the Company invoked the provisions of Section 222 of the Capital Markets and Services Act, 2007 to compulsorily acquire all the remaining PROTON Shares. The MGO was completed subsequent to the financial year-end and the PROTON Shares were fully acquired by the Company on 26 June 2012.

On 16 May 2012, PROTON's entire issued and paid-up share capital was removed from the Official List of Bursa Securities.

## 60 SUBSEQUENT EVENTS

- (a) On 15 May 2012, HICOM Holdings Berhad, effectively 100% owned subsidiary of the Group, entered into Share Sale agreement with the non-controlling interest shareholders to acquire the remaining equity interest in Comtrac Sdn. Bhd. ("Comtrac") for a total cash consideration of RM6,305,000. The acquisition was completed on 15 June 2012 and as a result, Comtrac became a wholly-owned subsidiary company of the Group.
- (b) On 28 May 2012, HICOM Holdings Berhad entered into Share Sale agreements to acquire additional equity interests in Alam Flora Sdn. Bhd. ("AFSB") from the following parties:
  - (i) KDEB Management Waste Sdn. Bhd. involving 16,000,000 ordinary shares of RM1.00 each representing 21.05% of the issued and paid-up capital of AFSB for a total consideration of RM27,200,000; and
  - (ii) PJBUMI Waste Management Sdn. Bhd. involving 12,000,000 ordinary shares of RM1.00 each representing 15.79% of the issued and paid-up capital of AFSB for a total consideration of RM20,400,000.

As at the date of this report, the above acquisitions are pending completion.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 60 SUBSEQUENT EVENTS (CONTINUED)

- (c) On 21 June 2012, HICOM Holdings Berhad completed the disposal of its entire 20% equity interest in THK Rhythm Malaysia Sdn. Bhd. ("THK Rhythm") (formerly known as TRW Steering & Suspension (Malaysia) Sdn. Bhd.) to THK Rhythm Co., Ltd., THK Co., Ltd. and Vincus Holdings Sdn. Bhd. for a total cash consideration of RM6,190,000. As a result, THK Rhythm ceased to be an associated company of the Group.
- (d) On 25 June 2012, POS Malaysia Berhad ("POSM") and Bank Muamalat Malaysia Berhad ("BMMB") entered into a collaboration through the execution of a Shareholders' Agreement to jointly participate via a joint venture company to undertake the Islamic pawn broking business (Ar-Rahnu). For the purpose of this collaboration, POSM and BMMB acquired a shelf company known as Pos Ar-Rahnu Sdn. Bhd. (formerly known as Bright Emerald Sdn. Bhd.). POSM and BMMB will have an equity interest of 80% and 20% respectively in this proposed joint venture company.

### 61 FAIR VALUE OF FINANCIAL INSTRUMENTS

- (a) Financial instruments measured at fair value

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other than valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

|  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Group Assets</b>                                      |                   |                   |                   |                 |
| Investment securities: available-for-sale                | 115,323           | 7,082,902         | 25,671            | 7,223,896       |
| Investment securities: fair value through profit or loss | 211,003           | 180,883           | -                 | 391,886         |
| Derivative assets  | 4,150             | 6,049             | -                 | 10,199          |
|  | 330,476           | 7,269,834         | 25,671            | 7,625,981       |
| <b>Group Liabilities</b>                                 |                   |                   |                   |                 |
| Derivative liabilities                                   | 1,741             | 30,412            | -                 | 32,153          |

## 61 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial instruments measured at fair value (Continued)

There were no material significant transfers between Level 1, Level 2 and Level 3 during the financial year despite the changes in market conditions for certain investment securities.

The reconciliation of the Level 3 fair value measurements during the financial year is as follows:

|                                     | RM'000        |
|-------------------------------------|---------------|
| <b>Group</b>                        |               |
| As at 1 April 2011                  | 31,825        |
| Total losses through profit or loss | (6,500)       |
| Purchases                           | 526           |
| Sales                               | (180)         |
|                                     | <b>25,671</b> |

### (b) Financial instruments that are not measured at fair value and whose carrying amounts are not reasonable approximation of fair value:

|  | Note | Group<br>RM'000    |               | Company<br>RM'000  |               |
|--|------|--------------------|---------------|--------------------|---------------|
|  |      | Carrying<br>amount | Fair<br>value | Carrying<br>amount | Fair<br>value |
| <b>2012</b>  |      |                    |               |                    |               |
| <b>Financial liabilities:</b>                          |      |                    |               |                    |               |
| Borrowings (non-current)                               | 37   |                    |               |                    |               |
| - Hire purchase and finance lease liabilities          |      | 33,368             | 32,889        | -                  | -             |
| - Long term loans (fixed rate)                         |      | 151,629            | 149,607       | -                  | -             |
| - Long term loans under Islamic financing (fixed rate) |      | 2,112,860          | 2,111,531     | 1,634,443          | 1,623,327     |
| <b>2011</b>  |      |                    |               |                    |               |
| <b>Financial liabilities:</b>                          |      |                    |               |                    |               |
| Borrowings (non-current)                               | 37   |                    |               |                    |               |
| - Hire purchase and finance lease liabilities          |      | 16,404             | 15,951        | -                  | -             |
| - Long term loans (fixed rate)                         |      | 30,471             | 25,087        | -                  | -             |
| - Long term loans under Islamic financing (fixed rate) |      | 497,456            | 477,028       | 75,947             | 57,731        |

### (c) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

|                                       |            |
|---------------------------------------|------------|
| Trade and other receivables (current) | Note<br>29 |
| Trade and other payables (current)    | 42         |
| Borrowings (current)                  | 43         |

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

## 61 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Determination of fair value (Continued)

The carrying amounts of these financial assets and liabilities reasonably approximate, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonably approximate fair value due to the insignificant impact of discounting.

The fair values of borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

#### (i) Amounts due from subsidiaries, loans to/from subsidiaries, finance lease obligations and fixed rate bank loans

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

#### (ii) Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

#### (iii) Unquoted equity instruments

These investments are valued using valuation models which uses both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

#### (iv) Unquoted debt securities and unquoted corporate bonds

Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

#### (v) Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates curves.

## 62 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign exchange currency risk and market price risk. The Board of Directors reviews and sets policies and procedures for the management of these risks. The Risk Committee in accordance with the Group's Enterprise Risk Management framework provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. The Group seeks to control credit risk by ensuring its customers or counterparties have sound financial standing and credit history. The Group has no significant concentration of credit risk due to its diverse customer base.

## 62 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

|   | On<br>demand or<br>within 1<br>year<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000   |
|---|---|---------------------------|---------------------------|-------------------|
| <b>2012</b>                                     |   |                           |                           |                   |
| <b>Group</b>                                    |   |                           |                           |                   |
| <b>Financial liabilities:</b>                   |   |                           |                           |                   |
| Trade and other payables                        | 5,884,017                                     | -                         | -                         | 5,884,017         |
| Borrowings                                      | 1,893,956                                     | 2,205,516                 | 1,276,824                 | 5,376,296         |
| Derivatives – settled net                       | 21,954  | -                         | -                         | 21,954            |
| <b>Total undiscounted financial liabilities</b> | <b>7,799,927</b>                              | <b>2,205,516</b>          | <b>1,276,824</b>          | <b>11,282,267</b> |
| <b>Company</b>                                  |   |                           |                           |                   |
| <b>Financial liabilities:</b>                   |   |                           |                           |                   |
| Trade and other payables                        | 1,587,402                                     | -                         | -                         | 1,587,402         |
| Borrowings                                      | 285,192                                       | 1,408,924                 | 1,275,153                 | 2,969,269         |
| <b>Total undiscounted financial liabilities</b> | <b>1,872,594</b>                              | <b>1,408,924</b>          | <b>1,275,153</b>          | <b>4,556,671</b>  |
| <b>2011</b>                                     |   |                           |                           |                   |
| <b>Group</b>                                    |   |                           |                           |                   |
| <b>Financial liabilities:</b>                   |   |                           |                           |                   |
| Trade and other payables                        | 2,048,401                                     | -                         | -                         | 2,048,401         |
| Borrowings                                      | 521,177                                       | 550,557                   | 277,253                   | 1,348,987         |
| Derivatives – settled net                       | 2,538   | -                         | -                         | 2,538             |
| <b>Total undiscounted financial liabilities</b> | <b>2,572,116</b>                              | <b>550,557</b>            | <b>277,253</b>            | <b>3,399,926</b>  |
| <b>Company</b>                                  |   |                           |                           |                   |
| <b>Financial liabilities:</b>                   |   |                           |                           |                   |
| Trade and other payables                        | 204,371                                       | -                         | -                         | 204,371           |
| Borrowings                                      | 190,570                                       | 130,698                   | 27,253                    | 348,521           |
| <b>Total undiscounted financial liabilities</b> | <b>394,941</b>                                | <b>130,698</b>            | <b>27,253</b>             | <b>552,892</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 62 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings at floating rates. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in 50 basis points to interest rate, with all other variables held constant.

|                             |     | <b>Profit after tax</b>          |                                  |                                    |                                    |
|-----------------------------|-----|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
|                             |     | <b>Group<br/>2012<br/>RM'000</b> | <b>Group<br/>2011<br/>RM'000</b> | <b>Company<br/>2012<br/>RM'000</b> | <b>Company<br/>2011<br/>RM'000</b> |
| Borrowings – floating rates | +50 | <b>(9,930)</b>                   | (2,538)                          | <b>(6,619)</b>                     | (863)                              |
|                             | –50 | <b>9,930</b>                     | 2,538                            | <b>6,619</b>                       | 863                                |

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. Foreign exchange exposures in transactional currencies other than its functional currency of the operating entities are kept to an acceptable level. Material foreign currencies transaction exposures are hedged, mainly with forward foreign exchange contracts.

(e) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks mainly arising from quoted shares held by the Group. Quoted shares are mainly listed on the Bursa Malaysia Securities Berhad. These instruments are classified as financial assets designated at fair value through profit or loss and available-for-sale.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the quoted shares on Bursa Malaysia had been 10% higher or lower, with all other variables held constant, the Group's profit after tax and other comprehensive income would have been approximately RM16,309,000 (2011: RM15,488,000) and RM4,274,000 (2011: RM2,065,000) higher or lower respectively, arising as a result of an increase/decrease in the fair values of the quoted shares.

### 63 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using gearing ratio, which is gross debt divided by shareholders' equity. Gross debt is equivalent to total borrowings (including current and non-current borrowings) as shown in the consolidated statement of financial position. The Group's policy is to keep the gearing ratio at an acceptable level.

|  | Note | 2012<br>RM'000   | 2011<br>RM'000 |
|--|------|------------------|----------------|
| <b>Group</b>                                       |      |                  |                |
| Short term borrowings excluding deferred liability | 43   | <b>1,869,984</b> | 521,177        |
| Long term borrowings excluding deferred liability  | 37   | <b>3,475,561</b> | 788,555        |
| <b>Total borrowings</b>                            |      | <b>5,345,545</b> | 1,309,732      |
| <b>Shareholders' equity</b>                        |      | <b>6,161,650</b> | 4,980,344      |
| <b>Gross gearing (times)</b>                       |      | <b>0.87</b>      | 0.26           |
| <b>Company</b>                                     |      |                  |                |
| Short term borrowings                              | 43   | <b>283,191</b>   | 190,570        |
| Long term borrowings                               | 37   | <b>2,677,864</b> | 159,947        |
| <b>Total borrowings</b>                            |      | <b>2,961,055</b> | 350,517        |
| <b>Shareholders' equity</b>                        |      | <b>5,356,313</b> | 5,129,336      |
| <b>Gross gearing (times)</b>                       |      | <b>0.55</b>      | 0.07           |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 64 CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss ("FVTPL");
- (ii) Loans and receivables ("L&R");
- (iii) Held-to-maturity ("HTM");
- (iv) Available-for-sale financial assets ("AFS"); and
- (v) Other liabilities ("OL")

|  | Note | Carrying amounts<br>RM'000 | FVTPL<br>RM'000 | L&R<br>RM'000 | HTM<br>RM'000 | AFS<br>RM'000 |
|--|------|----------------------------|-----------------|---------------|---------------|---------------|
| <b>Group</b>   |      |                            |                 |               |               |               |
| <b>2012</b>  |      |                            |                 |               |               |               |
| <b>Financial assets</b>                                |      |                            |                 |               |               |               |
| Investment securities                                  | 23   | 8,323,541                  | 391,886         | -             | 707,759       | 7,223,896     |
| Trade and other receivables<br>(excluding prepayments) | 29   | 2,991,444                  | -               | 2,991,444     | -             | -             |
| Banking-related assets                                 |      |                            |                 |               |               |               |
| - Cash and short-term funds                            | 32   | 4,501,556                  | -               | 4,501,556     | -             | -             |
| - Financing of customers                               | 25   | 8,769,297                  | -               | 8,769,297     | -             | -             |
| - Statutory deposits with Bank Negara Malaysia         | 26   | 527,721                    | -               | 527,721       | -             | -             |
| Short term deposits                                    | 30   | 2,407,406                  | -               | 2,407,406     | -             | -             |
| Cash and bank balances                                 | 31   | 632,912                    | -               | 632,912       | -             | -             |
| Derivative assets                                      | 33   | 10,199                     | 10,199          | -             | -             | -             |
| <b>2011</b>  |      |                            |                 |               |               |               |
| <b>Financial assets</b>                                |      |                            |                 |               |               |               |
| Investment securities                                  | 23   | 6,296,299                  | 443,209         | -             | 505,797       | 5,347,293     |
| Trade and other receivables<br>(excluding prepayments) | 29   | 1,316,461                  | -               | 1,316,461     | -             | -             |
| Banking-related assets                                 |      |                            |                 |               |               |               |
| - Cash and short-term funds                            | 32   | 6,447,295                  | -               | 6,447,295     | -             | -             |
| - Financing of customers                               | 25   | 7,111,111                  | -               | 7,111,111     | -             | -             |
| - Statutory deposits with Bank Negara Malaysia         | 26   | 94,121                     | -               | 94,121        | -             | -             |
| Short term deposits                                    | 30   | 1,147,188                  | -               | 1,147,188     | -             | -             |
| Cash and bank balances                                 | 31   | 203,128                    | -               | 203,128       | -             | -             |
| Derivative assets                                      | 33   | 2,342                      | 2,342           | -             | -             | -             |

64 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

|   | Note    | Carrying amounts<br>RM'000 | FVTPL<br>RM'000 | OL<br>RM'000  |              |
|---|---------|----------------------------|-----------------|---------------|--------------|
| <b>Group</b>  |         |                            |                 |               |              |
| <b>2012</b>   |         |                            |                 |               |              |
| <b>Financial liabilities</b>  |         |                            |                 |               |              |
| Trade and other payables (excluding accruals)                       | 42      | 4,998,484                  | -               | 4,998,484     |              |
| Borrowings  | 37 & 43 | 5,367,516                  | -               | 5,367,516     |              |
| Banking related liabilities   |         |                            |                 |               |              |
| - Deposits from customers   | 40      | 17,676,604                 | -               | 17,676,604    |              |
| - Deposits and placements of banks and other financial institutions | 44      | 11,896                     | -               | 11,896        |              |
| - Bills and acceptances payable                                     | 45      | 310,324                    | -               | 310,324       |              |
| Derivative liabilities  | 33      | 32,153                     | 32,153          | -             |              |
| <b>2011</b>   |         |                            |                 |               |              |
| <b>Financial liabilities</b>  |         |                            |                 |               |              |
| Trade and other payables (excluding accruals)                       | 42      | 1,588,211                  | -               | 1,588,211     |              |
| Borrowings  | 37 & 43 | 1,346,418                  | -               | 1,346,418     |              |
| Banking related liabilities   |         |                            |                 |               |              |
| - Deposits from customers   | 40      | 15,839,901                 | -               | 15,839,901    |              |
| - Deposits and placements of banks and other financial institutions | 44      | 14,993                     | -               | 14,993        |              |
| - Bills and acceptances payable                                     | 45      | 291,375                    | -               | 291,375       |              |
| Derivative liabilities  | 33      | 4,880                      | 4,880           | -             |              |
|   | Note    | Carrying amounts<br>RM'000 | L&R<br>RM'000   | AFS<br>RM'000 | OL<br>RM'000 |
| <b>Company</b>  |         |                            |                 |               |              |
| <b>2012</b>   |         |                            |                 |               |              |
| <b>Financial assets</b>   |         |                            |                 |               |              |
| Trade and other receivables (excluding prepayments)                 | 29      | 1,121,694                  | 1,121,694       | -             | -            |
| Short term deposits   | 30      | 610,548                    | 610,548         | -             | -            |
| Cash and bank balances  | 31      | 7,922                      | 7,922           | -             | -            |
| <b>2011</b>   |         |                            |                 |               |              |
| <b>Financial assets</b>   |         |                            |                 |               |              |
| Investment securities   | 23      | 19,189                     | -               | 19,189        | -            |
| Trade and other receivables (excluding prepayments)                 | 29      | 162,026                    | 162,026         | -             | -            |
| Short term deposits   | 30      | 155,321                    | 155,321         | -             | -            |
| Cash and bank balances  | 31      | 10,905                     | 10,905          | -             | -            |

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

### 64 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

|   | Note    | Carrying<br>amounts<br>RM'000 | L&R<br>RM'000 | AFS<br>RM'000 | OL<br>RM'000 |
|---|---------|-------------------------------|---------------|---------------|--------------|
| <b>Company</b>                                |         |                               |               |               |              |
| <b>2012</b>                                   |         |                               |               |               |              |
| <b>Financial liabilities</b>                  |         |                               |               |               |              |
| Trade and other payables (excluding accruals) | 42      | 1,535,516                     | -             | -             | 1,535,516    |
| Borrowings                                    | 37 & 43 | 2,961,055                     | -             | -             | 2,961,055    |
| <b>2011</b>                                   |         |                               |               |               |              |
| <b>Financial liabilities</b>                  |         |                               |               |               |              |
| Trade and other payables (excluding accruals) | 42      | 197,858                       | -             | -             | 197,858      |
| Borrowings                                    | 37 & 43 | 350,517                       | -             | -             | 350,517      |

### 65 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 July 2012.

## 66 SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 March 2012 into realised and unrealised profits is presented as follows:

|   | Group            |                | Company          |                |
|---|------------------|----------------|------------------|----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| Total retained profits of the Company and subsidiaries:           |                  |                |                  |                |
| - Realised  | <b>2,909,344</b> | 1,719,973      | <b>1,305,101</b> | 1,077,087      |
| - Unrealised  | <b>60,520</b>    | 57,985         | <b>(1,883)</b>   | (3,956)        |
|   | <b>2,969,864</b> | 1,777,958      | <b>1,303,218</b> | 1,073,131      |
| Total share of retained profits from jointly controlled entities: |                  |                |                  |                |
| - Realised  | <b>163,154</b>   | 196,417        | -                | -              |
| - Unrealised  | <b>(94)</b>      | 32             | -                | -              |
| Total share of retained profits from associated companies:        |                  |                |                  |                |
| - Realised  | <b>218,043</b>   | 205,887        | -                | -              |
| - Unrealised  | <b>3,675</b>     | 7,206          | -                | -              |
| Total retained profits as per financial statements                | <b>3,354,642</b> | 2,187,500      | <b>1,303,218</b> | 1,073,131      |

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Syed Mohamad bin Syed Murtaza and Dato' Sri Haji Mohd Khamil bin Jamil, being two of the Directors of DRB-HICOM Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 122 to 240 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and the cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia, modified by the accounting policies set out in the Bank Negara Malaysia Guidelines for banking and insurance subsidiary companies and Shariah principles for a banking subsidiary company of the Group. The information set out in Note 66 to financial statements have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 11 July 2012.

**DATO' SYED MOHAMAD BIN SYED MURTAZA**  
Chairman

**DATO' SRI HAJI MOHD KHAMIL BIN JAMIL**  
Group Managing Director

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Lukman bin Ibrahim, the officer primarily responsible for the financial management of DRB-HICOM Berhad, do solemnly and sincerely declare that the financial statements set out on pages 122 to 241 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.



**DATO' LUKMAN BIN IBRAHIM**

Subscribed and solemnly declared by the abovenamed Dato' Lukman bin Ibrahim at Shah Alam in Malaysia on 11 July 2012.

Before me,

Commissioner for Oaths



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF DRB-HICOM BERHAD (INCORPORATED IN MALAYSIA)

### Report on the financial statements

We have audited the financial statements of DRB-HICOM Berhad, which comprise the statements of financial position as at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 122 to 240.

#### *Directors' responsibility for the financial statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, modified by the accounting policies set out in the Bank Negara Malaysia Guidelines for banking and insurance subsidiary companies and Shariah principles for a banking subsidiary company of the Group and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, modified by the accounting policies set out in the Bank Negara Malaysia Guidelines for banking and insurance subsidiary companies and Shariah principles for a banking subsidiary company of the Group, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

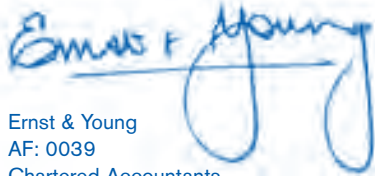
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

### Other reporting responsibilities


The supplementary information set out in Note 66 on page 241 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants



Mohd Sukarno Bin Tun Sardon  
No. 1697/03/13 (J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
11 July 2012

# ANALYSIS OF SHAREHOLDINGS

AS AT 23 JULY 2012

|                                  |   |  |
|----------------------------------|---|--|
| Class of Securities              | : | Ordinary shares of RM1.00 each   |
| Authorised Share Capital         | : | RM2,000,000,000.00   |
| Issued and Fully Paid-up Capital | : | RM1,933,237,051 comprising 1,933,237,051 ordinary shares of RM1.00 each  |
| Voting Rights                    | : | Every member of the Company present in person or by proxy shall have one vote on a show of hands, and in the case of poll, shall have one vote of each share he holds. |
| Number of Shareholders           | : | 42,802   |

## DISTRIBUTION OF SHAREHOLDERS

| Size Of Shareholdings     | Number Of Shareholders | % Of Shareholders | Total Holdings       | % Holdings    |
|---------------------------|------------------------|-------------------|----------------------|---------------|
| 1 – 99                    | 572                    | 1.34              | 11,831               | 0.00(*)       |
| 100 – 1,000               | 20,099                 | 46.96             | 14,836,449           | 0.77          |
| 1,001 – 10,000            | 18,763                 | 43.84             | 68,321,188           | 3.53          |
| 10,001 – 100,000          | 2,893                  | 6.76              | 82,130,604           | 4.25          |
| 100,001 – 96,661,851(**)  | 473                    | 1.11              | 562,265,838          | 29.08         |
| 96,661,852 and Above(***) | 2                      | 0.00              | 1,205,671,141        | 62.37         |
| <b>Total</b>              | <b>42,802</b>          | <b>100.00</b>     | <b>1,933,237,051</b> | <b>100.00</b> |

Remarks: \* Less than 0.01%  
 \*\* Less than 5% of issued shares  
 \*\*\* 5% and above of issued shares

## TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

| No | Name  | Number Of Shares | % Of Issued Shares |
|----|---|------------------|--------------------|
| 1. | Etika Strategi Sdn Bhd  | 1,081,061,741    | 55.92              |
| 2. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Providend Fund Board                                   | 124,609,400      | 6.45               |
| 3. | HSBC Nominees (Asing) Sdn Bhd<br>NTGS LDN For Skagen Kon-Tiki Verdipapirfond                              | 54,368,600       | 2.81               |
| 4. | Kumpulan Wang Persaraan (Diperbadankan)   | 37,762,200       | 1.95               |
| 5. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An For The Bank of New York Mellon (Mellon Acct)                  | 35,685,327       | 1.85               |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An For JPMorgan Chase Bank, National Association (Netherlands)    | 22,698,300       | 1.17               |
| 7. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend) | 22,488,500       | 1.16               |
| 8. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend) | 18,327,800       | 0.95               |
| 9. | HSBC Nominees (Asing) Sdn Bhd<br>TNTC For LSV Emerging Markets Equity Fund L.P.                           | 14,259,670       | 0.74               |

**TOP THIRTY SECURITIES ACCOUNT HOLDERS (CONTINUED)**

| <b>No</b> | <b>Name</b>  | <b>Number<br/>Of Shares</b> | <b>% Of Issued<br/>Shares</b> |
|-----------|--|-----------------------------|-------------------------------|
| 10.       | Cartaban Nominees (Asing) Sdn Bhd<br>SSBT Fund D26J For Emerging Markets Global Small Capitalization Fund (TEMMUF)       | 14,174,100                  | 0.73                          |
| 11.       | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY For Dimensional Emerging Markets Value Fund                                   | 12,439,500                  | 0.64                          |
| 12.       | Tai Tak Estates Sdn Bhd  | 10,952,653                  | 0.57                          |
| 13.       | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Bank Berhad (EDP2)  | 10,740,500                  | 0.56                          |
| 14.       | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)                        | 9,814,930                   | 0.51                          |
| 15.       | Citaria Sdn Bhd  | 8,873,972                   | 0.46                          |
| 16.       | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An for JPMorgan Chase Bank, National Association (Australia)                     | 7,465,030                   | 0.39                          |
| 17.       | HSBC Nominees (Asing) Sdn Bhd<br>HSBC BK PLC For Saudi Arabian Monetary Agency   | 7,215,800                   | 0.37                          |
| 18.       | Maybank Investment Bank Berhad<br>IVT (9)  | 6,268,700                   | 0.32                          |
| 19.       | Cartaban Nominees (Asing) Sdn Bhd<br>SSBT Fund SC7R for State of Connecticut Retirement Plans And Trust Funds            | 6,158,800                   | 0.32                          |
| 20.       | HSBC Nominees (Asing) Sdn Bhd<br>TNTC for Government of Singapore Investment Corporation Pte Ltd                         | 4,971,600                   | 0.26                          |
| 21.       | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (Amundi)   | 4,960,800                   | 0.26                          |
| 22.       | HSBC Nominees (Asing) Sdn Bhd<br>BBH and Co Boston For Daiwa Asean Intraregional Demand Equity Fund (JTSB RB)            | 4,750,000                   | 0.25                          |
| 23.       | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY For DFA Emerging Markets Small Cap Series                                     | 3,943,700                   | 0.20                          |
| 24.       | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc | 3,661,300                   | 0.19                          |
| 25.       | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An For JPMorgan Chase Bank, National Association (Saudi Arabia)                  | 3,561,200                   | 0.18                          |
| 26.       | HSBC Nominees (Asing) Sdn Bhd<br>BBH and Co Boston For The Birch Tree Fund (Am Inv. Trust)                               | 3,276,200                   | 0.17                          |
| 27.       | Citigroup Nominees (Asing) Sdn Bhd<br>Merrill Lynch International  | 3,273,890                   | 0.17                          |
| 28.       | Cartaban Nominees (Asing) Sdn Bhd<br>State Street London Fund JY64 For the Emerging Markets Equity Fund (Ric Plc)        | 3,235,500                   | 0.17                          |
| 29.       | HSBC Nominees (Asing) Sdn Bhd<br>BNY Brussels For City of New York Group Trust   | 3,159,320                   | 0.16                          |
| 30.       | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Teh Yean Teong (Margin)                            | 2,971,000                   | 0.15                          |

## ANALYSIS OF SHAREHOLDINGS

AS AT 23 JULY 2012

### SUBSTANTIAL SHAREHOLDER BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| Name  | Direct Interest       |                    | Indirect Interest     |                    | Total % of Issued Shares |
|---|-----------------------|--------------------|-----------------------|--------------------|--------------------------|
|   | Number of Shares Held | % of Issued Shares | Number of Shares Held | % of Issued Shares |                          |
| Etika Strategi Sdn Bhd  | 1,081,061,741         | 55.92              | -                     | -                  | 55.92                    |
| Employees Provident Fund Board                                | 139,062,700           | 7.19               | -                     | -                  | 7.19                     |
| Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor <sup>(N1)</sup> | -                     | -                  | 1,081,061,741         | 55.92              | 55.92                    |

Note:-

<sup>(N1)</sup> By virtue of his deemed interest through Etika Strategi Sdn Bhd in accordance with Section 6A of the Companies Act, 1965.

### DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND ITS RELATED COMPANIES

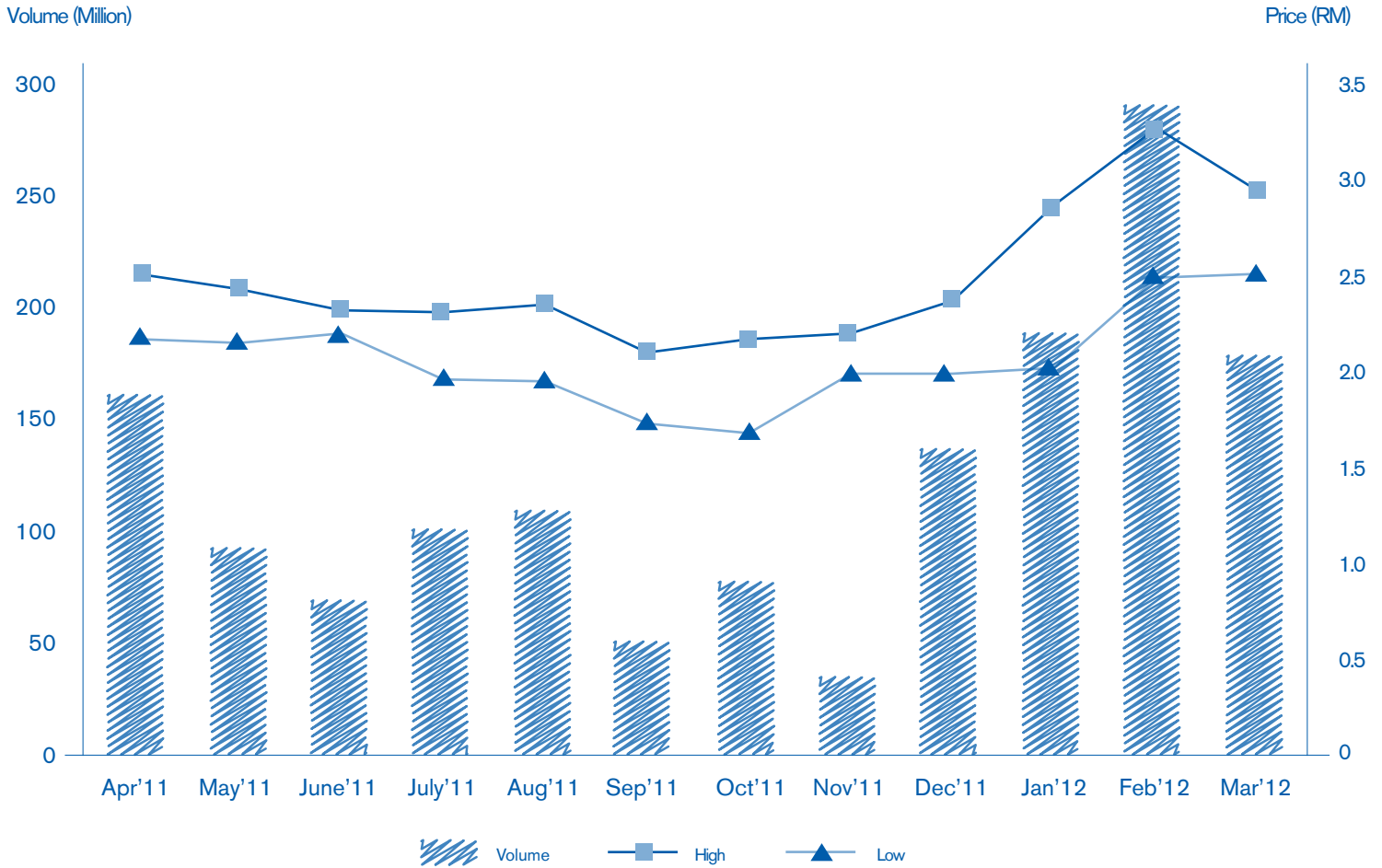
The Directors' direct and indirect interest in shares in the Company and its related companies based on the Register of Directors' Shareholdings are as follows :-

| Name                                       | Direct Interest       |                    | Indirect Interest     |                    |
|--|-----------------------|--------------------|-----------------------|--------------------|
|  | Number of Shares Held | % of Issued Shares | Number of Shares Held | % of Issued Shares |
| Shares in Etika Strategi Sdn Bhd held by : |                       |                    |                       |                    |
| Dato' Sri Haji Mohd Khamil bin Jamil       | 30,000                | 10                 | -                     | -                  |

None of the other Directors in office as at 23 July 2012 held any interest in shares in the Company or its related companies.

# SHARE PERFORMANCE CHART

SHARE PRICE FROM APRIL 2011 TO MARCH 2012



# MATERIAL PROPERTIES OF DRB-HICOM GROUP

AS AT 31 MARCH 2012

| No. | Location  | Description/<br>existing use  | Approximate<br>age of<br>building | Tenure                                | Approx.<br>area             | Group<br>Net book<br>value as at<br>31 March 2012<br>RM'000 |
|-----|---|---|-----------------------------------|---------------------------------------|-----------------------------|---|
| 1.  | PTD 99396 HS(D) 329948<br>PTD 68903 HS(D) 290184<br>PTD 68905 HS(D) 290186<br>Mukim of Tebrau<br>Daerah Johor Bahru<br>Negeri Johor Darul Ta'zim  | Land held for residential and<br>commercial development.  | -                                 | Freehold                              | 6,137,457<br>sq.m<br>(Land) | 729,038   |
| 2.  | HS(D) B.P. 5653 and 5654<br>Bil PT 16162 and 10163<br>District of Batang Padang<br>Mukim of Ulu Bernam Timur<br>Perak Darul Ridzuan   | Automobile plant,<br>administrative building and<br>sports complex facilities.  | 9 years                           | Freehold                              | 5,150,927<br>sq.m<br>(Land) | 387,900   |
| 3.  | Lots 1017T, 1018A<br>70000P and 70001T<br>of Town Subdivision 16<br>Comprised in Certificate<br>of Title Volume 614 Folio 67<br>Singapore   | Retail and car park complex.  | 9 years                           | Leasehold<br>expiring in<br>year 2096 | 6,397<br>sq.m<br>(Land)     | 329,298   |
| 4.  | HS(D) 224498 (PT 464), HS(D) 224499 (PT 465)<br>HS(D) 224500 (PT 466), HS(D) 224501 (PT 467)<br>HS(D) 224502 (PT 468), HS(D) 224396 (PT 772)<br>Town of Glenmarie<br>District of Petaling<br>Selangor Darul Ehsan | Hotel, golf course and<br>club house.   | 18 - 19<br>years                  | Freehold                              | 1,489,836<br>sq.m<br>(Land) | 187,445   |
| 5.  | HS(D) 71309 (PT 80) and 71311 (PT 82)<br>Mukim of Damansara, District of Petaling,<br>Selangor Darul Ehsan  | Main office, main factory,<br>engine factory, medium<br>volume factory, canteen<br>buildings, sports facilities,<br>additional R&D laboratories<br>building, car park for<br>production cars and staff. | 27 years                          | Freehold                              | 593,575<br>sq.m<br>(Land)   | 160,740   |

| No. | Location  | Description/existing use   | Approximate age of building | Tenure                                       | Approx. area             | Group Net book value as at 31 March 2012 RM'000 |
|-----|---|--|-----------------------------|--|--------------------------|---|
| 6.  | HS(D) 63928, PT 5689<br>HS(D) 63929, PT 5690<br>Mukim Gurun<br>Daerah Kuala Muda<br>Kedah Darul Aman  | Industrial land with office and factory building.                      | 16 years                    | Freehold                                     | 650,360 sq.m<br>(Land)   | 158,543   |
| 7.  | Land adjacent to Potash Lane, Hethel, Norwich, Norfolk NR<br>14 8EZ, England and<br>and Land north of Browic  | Factory, engineering facilities, office and test track.                | 44 years                    | Freehold                                     | 584,040 sq.m<br>(Land)   | 155,410   |
| 8.  | GM 1867 Lot 1468<br>HS(D) 423-578 (PT 00919-1074)<br>HS(D) 580-588 (PT 1076-1088)<br>Mukim Kedawang<br>Daerah Langkawi<br>Kedah Darul Aman  | 82 units chalet & marina and land held for development.                | 12 - 15 years               | Freehold and Leasehold expiring in year 2054 | 1,555,940 sq.m<br>(Land) | 153,714   |
| 9.  | Centre of Excellence (COE) & Pre-Delivery and Inspection Centre (PDI)<br>HS(D) 86596, PT 299 and HS(D) 86597,<br>PT 300, TP 5 Road, Sime UEP Industrial Park,<br>47600 Subang Jaya<br>Selangor Darul Ehsan. | Administration & operation office and pre-delivery & inspection centre | 11 years                    | Freehold                                     | 43,217 sq.m<br>(Land)    | 136,650   |
| 10. | Lots 77170, 77174, 77175 and individual titles from master titles<br>Mukim and District of Klang<br>Selangor Darul Ehsan  | Land held for residential and commercial development.                  | -                           | Freehold                                     | 355,926 sq.m<br>(Land)   | 133,232   |

# GROUP CORPORATE DIRECTORY

## **AUTOMOTIVE**

### **Automotive Corporation (Malaysia) Sdn. Bhd.** (52640-W)

P.O Box 34, Lot No. 3, Jalan Perusahaan Dua  
Kawasan Perindustrian Batu Caves  
68100 Batu Caves, Selangor Darul Ehsan, Malaysia  
Tel : 03-6188 1133/0225  
Fax : 03-6189 4433  
www.acm.com.my

### **HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd.** (106864-D)

Kompleks Automotif DRB-HICOM Pekan  
Kawasan Perindustrian Peramu Jaya  
Karung Berkunci No.7  
26607 Pekan, Pahang Darul Makmur, Malaysia  
Tel : 09-424 4000  
Fax : 09-424 4023

### **DRB-HICOM Auto Solutions Sdn. Bhd.** (484993-P)

Level 3, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8218  
Fax : 03-2052 8222

### **DRB-HICOM Defence Technologies Sdn. Bhd.** (406420-U)

lot 26, Jalan Pengapit 15/19, Seksyen 15  
40200 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5522 8888  
Fax : 03-5513 3100  
www.deftech.com.my

### **Defence Services Sdn. Bhd.** (166572-X)

Lot 1479, B10 Nilai Industrial Estate  
71800 Nilai, Negeri Sembilan, Malaysia  
Tel : 06-799 2255/03-5522 8888  
Fax : 06-799 2723/03-5513 3100

### **Edaran Modenas Sdn. Bhd.** (391388-P)

Level 2, Wisma DRB-HICOM  
No. 2, Jalan Usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-7711 2100/2211  
Fax : 03-2052 8685

### **Motosikal Dan Enjin Nasional Sdn. Bhd.** (354613-V)

Kawasan Perindustrian Gurun  
08300 Gurun, Kedah Darul Aman, Malaysia  
Tel : 04-466 8000  
Fax : 04-466 8300  
www.modenas.com.my

### **Edaran Otomobil Nasional Berhad** (119767-X)

Kompleks Ibu Pejabat EON  
No. 2, Persiaran Kerjaya  
Taman Perindustrian Glenmarie, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-7711 2100/2211  
Fax : 03-7803 5929/0009  
www.eon.com.my

### **Euromobil Sdn. Bhd.** (596498-M)

Audi Centre Glenmarie  
Lot, 27, Jalan Pelukis U1/46  
Seksyen U1, Kawasan Perindustrian Temasya  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03 7688 7688  
Fax : 03 7628 0028  
www.audi.com.my

### **HICOM Automotive Plastics (Thailand) Ltd**

64/30 Moo 4, Eastern Seaboard Industrial Estate Tambon  
Pluakdaeng, Amphoe Pluakdaeng Rayong 21140 Thailand  
Tel : (6638) 656265  
Fax : (6638) 656271

### **HICOM Diecastings Sdn. Bhd.** (148133-M)

Lot 16, Jalan Sementa 27/91, Seksyen 27  
40000 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5101 8000  
Fax : 03-5191 2529  
http : //www.hdsb.com

### **HICOM-HONDA Manufacturing Malaysia Sdn. Bhd.** (100808-P)

Kawasan Perusahaan Bakar Arang, Peti Surat 32  
08007 Sungai Petani Kedah Darul Aman, Malaysia  
Tel : 04-421 6622  
Fax : 04-421 9923  
www.hicom-honda.com

### **HICOM-Teck See Manufacturing Malaysia Sdn. Bhd.** (230574-H)

Lot 75A & 76, Jalan Sementa 27/91, Seksyen 27  
40000 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5191 6077  
Fax : 03-5191 6091  
www.hicomtecksee.com.my

### **HICOM-YAMAHA Manufacturing Malaysia Sdn. Bhd.** (108313-M)

Lot 751, Persiaran Kuala Selangor, Seksyen 26  
40400 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5191 1355  
Fax : 03-5191 1852

### **Honda Malaysia Sdn. Bhd.** (532120-D)

Lot 15, Jalan 13/6, 46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : 03-7957 5885  
Fax : 03-7957 4300  
www.honda.net.my

**ISUZU HICOM Malaysia Sdn. Bhd.** (285799-T)

Peramu Jaya Industrial Area  
26600 Pekan, Pahang Darul Makmur, Malaysia  
Tel : 09-4243800  
Fax : 09-4101742  
www.isuzu-hicom.com.my

**Isuzu Malaysia Sdn. Bhd.** (664946-H)

501D, Level 5, Tower D, Uptown 5  
No.5, Jalan SS21/39, Damansara uptown  
47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia  
Tel : 03-7723 9777  
Fax : 03-7723 9779/9778  
www.isuzu.net.my

**Mitsubishi Motors Malaysia Sdn. Bhd.** (680028-M)

Level 6, Building A, Paremba Square  
Saujana Resort, Seksyen U2  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03 7680 6688  
Fax : 03 7622 2239

**Oriental Summit Industries Sdn. Bhd.** (81500-D)

Lot 5032, Jalan Teluk Datuk 28/40, Seksyen 28  
40400 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5191 2266  
Fax : 03-5191 2267  
www.osisb.com.my

**PHN Industry Sdn. Bhd.** (206963-V)

Lot PT 75-77, Jalan 26/6  
Kawasan Perindustrian HICOM  
Seksyen 26, PO Box 7306  
40710 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5191 4636  
Fax : 03-5191 4630  
www.phn.com.my

**Suzuki Malaysia Automobile Sdn. Bhd.** (676275-W)

Level 3, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 7555  
Fax : 03-2052 7666  
Tol free : 1-300-88-6699  
www.suzuki.net.my

**TRW Steering & Suspension (Malaysia) Sdn. Bhd.** (87992-D)

1447, Lorong Perusahaan Maju 8  
Kawasan Perindustrian Prai  
13600 Prai, Pulau Pinang, Malaysia  
Tel : 04-507 0082  
Fax : 04-507 0942

**Suzuki Motorcycle Malaysia Sdn. Bhd.** (719683-P)

1412, Plot 281, Prai Industrial Complex  
13600 Prai, Pulau Pinang, Malaysia  
Tel : 04-390 8237  
Fax : 04-398 8422  
www.suzuki.com.my

**USF-HICOM (Malaysia) Sdn. Bhd.** (44265-U)

Suite 3.2A, Level 3, Wisma DRB-HICOM  
No. 2, Jalan usahawan u1/8, Seksyen u1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 7788  
Fax : 03-2052 7789  
www.usf-hicom.com.my

**ZF Steerings (Malaysia) Sdn. Bhd.** (87173-H)

No. 2528, lorong Perusahaan Enam  
Kawasan Perindustrian Prai  
13600 Prai, Pulau Pinang, Malaysia  
Tel : 04-399 8724  
Fax : 04-399 8723

**SERVICES**

**Alam Flora Sdn. Bhd.** (367713-X)

Level 4, Wisma DRB-HICOM  
No. 2, Jalan Usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 7922  
Fax : 03-2052 8144  
Toll Free : 1-800-880-880  
www.alamflora.com.my

**HICOM University College Sdn. Bhd.** (888126-K)

Level 3, Wisma DRB-HICOM,  
No. 2, Jalan usahawan U1/8, Seksyen U1,  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8000  
Fax : 03-2052 8078  
www.icam.edu.my

**International College Of Automotive**

Kompleks Automotif DRB-HICOM Pekan, P.O. Box 8  
26607 Pekan, Pahang Darul Makmur, Malaysia  
Tel : 09-424 2400  
Fax : 09-424 2500  
HL : 1-300-88-4226  
www.icam.edu.my

**KL Airport Services Sdn. Bhd.** (333284-T)

Jalan KLIA S6, Southern Support Zone  
64000 Sepang, Selangor Darul Ehsan, Malaysia  
Tel : 03-8778 8000  
Fax : 03-8778 8038  
www.klas.com.my

## GROUP CORPORATE DIRECTORY

### **PUSPAKOM Sdn. Bhd.** (285985-U)

Level 3, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 7474  
Fax : 03-2052 7473  
Toll Free : 1-800-88-6927  
www.puspakom.com.my

### **Scott & English (M) Sdn. Bhd.** (9572-M)

No. 12, Jalan Pemaju U1/15, Seksyen U1  
HICOM Glenmarie Industrial Park  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-7805 1111  
Fax : 03-7803 5122  
www.sne.com.my

### **HICOM United Leasing Sdn. Bhd.** (225417-D)

No. 16, Jalan Chan Sow Lin  
55200 Kuala Lumpur, Malaysia  
Tel : 03-9221 3611  
Fax : 03-9221 3631  
www.sne.com.my

### **Midea Scott & English Electronics Sdn. Bhd.** (194517-X)

No. 16, Jalan Chan Sow Lin  
55200 Kuala Lumpur, Malaysia  
Tel : 03-9221 1033  
Fax : 03-9221 7204  
www.midea.see.com.my

### **Uni.Asia General Insurance Berhad** (16688-K)

9th Floor, Menara Ui.Asia  
1008, Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Tel : 03-2693 8111  
Fax : 03-2693 0111  
www.uniasiageneral.com.my

### **Uni.Asia Life Assurance Berhad** (277714-A)

Bangunan Uni.Asia  
16, Jalan Tun Tan Siew Sin  
50050 Kuala Lumpur, Malaysia  
Tel : 03-2687 2000  
Fax : 03-2026 6097  
www.uniasialife.com.my

### **Bank Muamalat Malaysia Berhad** (6175-W)

38th Floor, Menara Bumiputra, 21, Jalan Melaka  
50100 Kuala Lumpur, Malaysia  
Tel : 03-2698 8787  
Fax : 03-2693 4667  
www.muamalat.com.my

### **HICOM Power Sdn. Bhd.** (572121-P)

Suite 4.3B, Level 4, Wisma DRB-HICOM  
No. 2, Jalan Usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8787  
Fax : 03-2052 8790

## **PROPERTY, ASSET & CONSTRUCTION**

### **Comtrac Sdn. Bhd.** (204108-W)

No. 74, Jalan SS21/39, Damansara utama  
47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia  
Tel : 03-7722 1688  
Fax : 03-7722 5699

### **HICOM Builders Sdn. Bhd.** (6687-H)

No. 74, Jalan SS21/39, Damansara Utama  
47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia  
Tel : 03-7727 4278  
Fax : 03-7727 4878  
www.hicombuilders.com.my

### **Glenmarie Puchong Sdn. Bhd.** (33943-W)

(Formerly known as Desa Puchong Sdn. Bhd)  
Level 1, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Fax : 03-2052 8511  
Toll Free : 1-800-88-8580

### **Glenmarie Cove Development Sdn. Bhd.** (570048-T)

Level 1, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8500  
Fax : 03-2052 8511  
www.glenmariecove.com.my

### **Glenmarie Asset Management Sdn. Bhd.** (258586-X)

(formerly known as HICOM Facility Management Sdn. Bhd.  
and HICOM Facility Management Berhad)  
Level 3, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8004  
Fax : 03-2052 8147

### **HICOM Indungan Sdn. Bhd.** (124152-D)

Level 1, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8500  
Fax : 03-2052 8511

**HICOM Megah Sdn. Bhd.** (324218-U)

Level 1, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8500  
Fax : 03-2052 8511

**HICOM-Gamuda Development Sdn. Bhd.** (285780-D)

No. 1, Jalan Anggerik Vanilla X 31/X  
Kota Kemuning, Seksyen 31  
40460 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-5122 1055  
Fax : 03-5122 1050  
[www.kotakemuning.net](http://www.kotakemuning.net)

**Glenmarie Properties Sdn. Bhd.** (97360-A)

Level 1, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8500  
Fax : 03-2052 8511  
Toll Free : 1-800-88-8580  
[www.glenmarieproperties.com](http://www.glenmarieproperties.com)

**Horsedale Development Berhad** (188176-P)

Level 1, Wisma DRB-HICOM  
No. 2, Jalan usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8500  
Fax : 03-2052 8501  
[www.horsedale.com.my](http://www.horsedale.com.my)

**Lake Kenyir Resort & Spa** (253041-D)

PO Box 32, POS Malaysia  
21700 Kuala Berang  
Terengganu Darul Iman, Malaysia  
Tel : 09-666 8888  
Fax : 09-666 8343  
[www.lakekenyir.com](http://www.lakekenyir.com)

**Niro Ceramic (M) Sdn. Bhd.** (169869-M)

Lot 1, Lorong 19/1A, 46300 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : 03-7652 9333  
Fax : 03-7652 9323  
[www.nirogranite.com.my](http://www.nirogranite.com.my)

**Proton City Development Corporation Sdn. Bhd.** (375217-U)

Level 3, Wisma DRB-HICOM  
No. 2, Jalan Usahawan U1/8, Seksyen U1  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia  
Tel : 03-2052 8500  
Fax : 03-2052 8511  
[www.proton-city.com](http://www.proton-city.com)

**Rebak Island Marina Resort** (183757-T)

P.O. Box 125, 07000 Kuah Langkawi  
Kedah Darul Aman, Malaysia  
Tel : 04-966 5566  
Fax : 04-966 9973  
[www.tajhotels.com](http://www.tajhotels.com)

**Holiday Inn Kuala Lumpur Glenmarie**

1 Jalan Usahawan U1/8, Seksyen U1  
40250 Shah Alam Selangor Darul Ehsan, Malaysia  
Tel : 03-7802 5200  
Fax : 03-7804 1000  
[www.holidayinn.com/glenmarie](http://www.holidayinn.com/glenmarie)

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# FORM OF PROXY

## TWENTY-SECOND ANNUAL GENERAL MEETING

| Number of shares held | CDS Account No. |  |  |  |  |  |  |  |  |  |
|-----------------------|-----------------|--|--|--|--|--|--|--|--|--|
|                       |                 |  |  |  |  |  |  |  |  |  |

I/We, \_\_\_\_\_ NRIC/Company No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_ Telephone No: \_\_\_\_\_  
(FULL ADDRESS)

being a member/members of DRB-HICOM Berhad, hereby appoint \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at the Glenmarie Ballroom, Holiday Inn Kuala Lumpur Glenmarie (Tel: 03-78031000), No. 1, Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on Thursday, 20 September 2012 at 9.00 a.m. and at any adjournment thereof.

My/our proxy is to vote on the resolutions as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

| No. | Resolution  | For | Against |
|-----|---|-----|---------|
| 1.  | To approve the declaration of a final gross dividend of 4.0 sen per share less taxation of 25%. |     |         |
| 2.  | To re-elect Director - YBhg Dato' Noorizan binti Shafie.  |     |         |
| 3.  | To re-elect Director - Mr Ooi Teik Huat.  |     |         |
| 4.  | To reappoint Director - YBhg Datuk Haji Abdul Rahman bin Mohd Ramli.                            |     |         |
| 5.  | To reappoint Director - Mr Ong le Cheong.   |     |         |
| 6.  | To reappoint Messrs Ernst & Young as Auditors.  |     |         |

(Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy. In case of a vote taken by show of hands, the First Named Proxy shall vote on your behalf)

First named proxy                    %  
 Second named proxy                %  
 \_\_\_\_\_  
 100%

.....  
 Signature(s) of shareholder(s) or  
 Common seal of corporate shareholder

Dated this ..... day of ....., 2012

### MEMBERS ENTITLED TO ATTEND

For purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 57A of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 13 September 2012. Only a depositor whose name appears on the General Meeting Record of Depositors as at 13 September 2012 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and vote on such depositor's behalf.

### Notes:-

- A member entitled to attend the meeting may appoint not more than two (2) proxies who may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where a member of the Company is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, shall be deposited at the Share Registrar's Office, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding this meeting.
- A proxy may vote on a show of hands and on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter the proxy may exercise his discretion as to whether to vote on such matter and if so, how.
- A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
- The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

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**SYMPHONY SHARE REGISTRARS SDN BHD (378993-D)**

Registrar for DRB-HICOM Berhad  
Level 6, Symphony House  
Pusat Dagangan Dana 1, Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor Darul Ehsan

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