# Statement on Corporate Governance

The Board of Directors of MBMR adheres to the best practice in its standards of business integrity in all its activities. This includes a commitment to follow the highest standards of corporate governance throughout the Group.

This statement sets out what the Board has considered the manner in which it has applied the Principles and complied with the Best Practices of the revised Malaysian Code on Corporate Governance released by the Securities Commission on 1 October 2007 (the "Code") throughout the financial year to 31 December 2011.

In March 2012, the Securities Commission released the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"). The Board will be adopting MCCG 2012 effective from the financial year ending 31 December 2012.

## DIRECTORS

### Composition of the Board

During the financial year ended 31 December 2011, the Board had seven members, six of whom are non-executive directors, two of whom are independent. No individual or group of individuals dominates the Board's decision-making and the number of directors fairly reflects the investment of the shareholders.

There is a clear division of responsibility between the Chairman and Managing Director to ensure a balance of power and authority. The principal duties of the Chairman are to conduct the meetings of the Board and shareholders and to facilitate constructive discussions at these meetings. The Managing Director is responsible for the day-to-day running of the businesses of the group and to develop and implement strategies.

The Company considers that its complement of non-executive directors provide for an effective Board with a mix of industry-specific knowledge and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the Company maintains the highest standards of conduct and integrity. The profile of the Board members are set out on pages 24 to 27.

One-third of the Board comprise independent directors since the Company recognises the contribution of independent directors as equal Board members to the development of the Company's strategies, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. All independent directors are independent of management and free from any relationship that could interfere with their independent judgement.

### Board Responsibilities

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.

The Board has four regularly scheduled meetings annually. In 2011, the Board held four meetings, for which dates and attendance are set out on page 39. At each regularly scheduled meeting, there is a full financial and business review and discussion, including trading performance to-date against the same period the year before. The Board also held a special board meeting in 2011 to deliberate on matters pertaining to corporate exercises, in particular the acquisition of Hirotako Holdings Berhad.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report on Audit Committee set out on pages 41 to 44), Nomination Committee, Remuneration Committee and Information Systems and Technology Committee.

### Supply of Information

Each Board member receives quarterly operating results, including a comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be sufficiently briefed before the meeting.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. Directors also have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that Board procedures are followed.

# Statement on Corporate Governance

## Appointments of the Board and Re-election

### Nomination Committee

Chairman
**Y. BHG. TAN SRI LEE LAM THYE**
Independent Non-Executive Director

Members
**ENCIK ISKANDER ISMAIL MOHAMED ALI**
Independent Non-Executive Director

**MR. WONG WEI KHIN**
Non-Independent Non-Executive Director

| Committee Members | Number of Nomination Committee Meetings Held | Number of Meetings Attended by Members |
|---|---|---|
| Y. Bhg. Tan Sri Lee Lam Thye | 1 | 1 |
| Encik Iskander Ismail Mohamed Ali | 1 | 1 |
| Mr. Wong Wei Khin | 1 | 1 |

The Nomination Committee met on 14 February 2011 and was fully attended by all members standing as of this date.

### Terms of Reference

1. **Membership**

1.1 The Committee will comprise of at least three (3) Directors. A majority of the members should be independent non-executive directors. All appointment to the Committee shall be made by the Board.

1.2 Only members of the Committee have the right to attend Committee Meetings. However, other individuals, such as the Managing Director, Human Resource Manager or independent consultant may be invited to attend for all or part of the Committee Meeting, as and when appropriate.

1.3 The Board shall appoint the Committee Chairman who should be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting from those who qualify under these terms of reference to be appointed in that position by the Board.

2 **Secretary**

2.1 The Secretary or their nominee shall act as the secretary of the Committee.

3 **Quorum**

3.1 The quorum necessary for the transaction of the business shall be two (2), both of whom must be independent non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. **Frequency of Meetings**

4.1 The Committee shall meet at least annually and at such additional time(s) as it deems necessary to fulfill its responsibilities.

5. **Notice of Meetings**

5.1 Meetings of Committee shall be called by the Secretary at the request of the Committee Chairman.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five (5) working days from the date of the meeting. Supporting papers shall be sent to Committee Members and other attendees as appropriate, at the same time.

6. **Minutes of Meetings**

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings including names of those present and in attendance.

6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee. The minutes of each NRC meeting shall be tabled to the Board for notation.

6.3 A resolution in writing signed by at least a majority of all members shall be valid and effectual as if it had been passed at a meeting of the NC. All such resolutions shall be described as “Nomination Committee Circular Resolutions” and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications

**7. Duties**

7.1 The Committee shall:-

7.1.1 Regularly review the structure, size, composition (including skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.

7.1.2 Give full consideration to succession planning of directors and senior executives, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed by the Board in the future.

7.1.3 Be responsible for identifying and nominating for approval of the Board candidates to fill Board vacancies as and when they arise.

7.1.4 Before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience of the Board, and in the light of this evaluation prepare a description of role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:-

7.1.4.1 Consider candidates from a wide range of backgrounds

7.1.4.2 Consider candidates on merits and on objective criteria, taking care that appointees have enough time available to devote to the position.

7.1.5 Keep in view the leadership needs of the company, both executive and non-executive, with a view to ensuring the continued ability of the company to compete effectively in the market place.

7.1.6 Keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates.

7.1.7 Review annually the performance of non-executive directors to assess whether the non-executive directors are spending enough time to fulfill their duties.

7.1.8 Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them, in terms of time, commitment, Committee service and involvement outside the Board.

7.2 The Committee shall also make recommendation to the Board concerning:-

7.2.1 Formulating plans for succession for both executives and non-executives and in particular for the key roles of the chairman and Managing Director.

7.2.2 Suitable candidates for the role of senior independent directors

7.2.3 Membership of audit and remuneration Committee, in consultation with the chairman of those Committees.

7.2.4 The continuation (or not) of any directors who has reached the age of 70, as specified in the Articles.

7.2.5 The re-election by shareholders of any director under the 'retirement by rotation' provisions in the articles having due regards to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required.

7.2.6 Any matters relating to the continuation of office of any director at any time including suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract.

7.2.7 The appointment of any director to executive or other office.

**8. Reporting Responsibilities**

8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area in its remit where action and improvement is needed.

8.3 The Committee shall make its statement in the annual report about its activities, the process to make appointments and explain if external advice has not been used.

**9. Others**

9.1 The Committee shall at least once a year review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**10. Authority**

10.1 The Committee is authorised to seek any information it requires from the employee of the Company in order to perform its duties.

10.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

## Nomination Policy and Procedure

During the financial year ended 31 December 2011, the Board had a Nomination Committee comprising two independent directors. This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director, provided that the Chairman of the Nomination Committee, Tan Sri Lee Lam Thye, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board.

The Nomination Committee also ensures that the Board has an appropriate balance of expertise and ability. For this purpose, the Committee regularly reviews the profile of the required skills and attributes. This profile is used to assess the suitability as executive or non-executive directors of candidates put forward by the directors. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director.

The directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that all appointments are in order and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Listing Requirements of the Bursa Malaysia Securities Berhad and other regulatory requirements.

On appointment, directors take part in an induction programme where they receive the latest information about the Group. This is supplemented by visits to key locations and meetings with senior executives. Directors are also advised on appointment of their legal and other obligations as a director of a public-listed company.

In accordance with the Company's Articles of Association, all directors shall retire from office once at least in each three years but shall be eligible for re-election.

## Remuneration Committee

Chairman
**Y. BHG. TAN SRI LEE LAM THYE**
Independent Non-Executive Director

Members
**ENCIK ISKANDER ISMAIL MOHAMED ALI**
Independent Non-Executive Director

**MR. LOW HIN CHOONG**
Non-Independent Non-Executive Director

| Committee Members | Number of Remuneration Committee Meetings Held | Number of Meetings Attended by Members |
|---|---|---|
| Y. Bhg. Tan Sri Lee Lam Thye | 1 | 1 |
| Encik Iskander Ismail Mohamed Ali | 1 | 1 |
| Mr. Wong Wei Khin | 1 | 1 |

The Remuneration Committee met on 14 February 2011 to deal with matters relating to 2010 and 2011 remuneration.

## Terms of Reference

**1. Membership**

1.1 The Committee will comprise of at least three (3) Directors. A majority of the members should be independent non-executive directors. All appointment to the Committee shall be made by the Board.

1.2 Only members of the Committee have the right to attend Committee Meetings. However, other individuals, such as the Managing Director, Human Resource Manager or independent consultant may be invited to attend for all or part of the Committee Meeting, as and when appropriate.

1.3 The Board shall appoint the Committee Chairman who should be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting from those who qualify under these terms of reference to be appointed in that position by the Board.

**2 Secretary**

2.1 The Secretary or their nominee shall act as the secretary of the Committee.

**3. Quorum**

3.1 The quorum necessary for the transaction of the business shall be two (2), both of whom must be independent non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

**4. Frequency of Meetings**

4.1 The Committee shall meet at least annually and at such additional time(s) as it deems necessary to fulfill its responsibilities.

**5. Notice of Meetings**

5.1 Meetings of Committee shall be called by the Secretary at the request of the Committee Chairman.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five (5) working days from the date of the meeting. Supporting papers shall be sent to Committee Members and other attendees as appropriate, at the same time.

## 6. Minutes of Meetings

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings including names of those present and in attendance.

6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee. The minutes of each NRC meeting shall be tabled to the Board for notation.

6.3 A resolution in writing signed by a majority of all members shall be valid and effectual as if it had been passed at a meeting of the NC. All such resolutions shall be described as "Nomination Committee Circular Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications

## 7. Duties

The Committee shall:-

7.1 Determine and agree with the Board the framework or broad policy for the remuneration of the Managing Director, chairman, executive director and such other members of the executive management. [The remuneration of the non-executive director shall be a matter of the Chairman and executive members of the Board.] No director or manager shall be involved in any decisions as to their own remunerations.

7.2 Review the appropriateness and relevance of the remuneration policy

7.3 Approve and determine targets for any performance related pay scheme operated by the Company, and approve total annual payments made under such scheme.

7.4 review all share incentive plans for approval of the Board and shareholders.

7.5 Determine the policy of, scope for, pension arrangements for executive directors and senior executives.

7.6 Ensure that contractual terms on termination and any payments made are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognized.

7.7 Within the terms of the agreed policy and in consultation with the chairman and / or Managing Director, determine the total individual remuneration package of each executive director and senior executives including bonus, incentive payments and share options or other share rewards.

7.8 Review the remuneration of the Company after considering the trend of subsidiaries within the Group and industry rate.

7.9 Oversee any major changes in employees' benefits structure throughout the company and group.

7.10 Agree the policy for authorizing claims for expenses from Managing Director and chairman.

7.11 Ensure all provisions regarding disclosure of remunerations, including pensions, are fulfilled.

7.12 Exclusively responsible for establishing selection criteria, selecting, appointing, and setting the terms of reference for any remuneration consultant who advise the Committee.

7.13 Obtain reliable and up to-date information on the remuneration policy of other companies. The Committee shall have full authority to commission any reports and surveys which it deems necessary to fulfill its obligations.

## 8. Reporting Responsibilities

8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area in its remit where action and improvement is needed.

8.3 The Committee shall make its statement in the annual report about its activities, and the Company's remuneration policies and practices.

## 9. Others

9.1 The Committee shall at least once a year review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 10. Authority

10.1 The Committee is authorised to seek any information it requires from the employee of the Company in order to perform its duties.

10.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice, within any budgetary restraint imposed by the Board to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfill its duties.

## Remuneration Policy and Procedure

During the financial year ended 31 December 2011, the Remuneration Committee comprised two independent directors. The Remuneration Committee reviews and approves the annual salaries, incentive arrangements, service arrangements and other employment conditions for the executive directors.

The executive directors will not be present when matters affecting their own remuneration arrangements are considered. The determination of remuneration of non-executive directors is a matter for the Board as a whole. The non-executive directors abstain from discussing their own remuneration.

The policy of the Remuneration Committee is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

The remuneration package for the Chairman, Managing Director and other directors comprise some or all of the following elements:

- **Basic Salaries and Fees**
  In setting the basic salary for each executive director, the Remuneration Committee takes into account the compensation practices of other companies and the performance of each individual director. Salaries are reviewed (although not necessarily increased) annually depending on the category of employment. Salaries are increased only where the Committee believes that adjustments are appropriate to reflect performance, increased responsibilities and/or market pressures.

  The Board determines fees payable to all directors with the approval from shareholders at the Annual General Meeting.

- **Annual Incentive Plan (Bonus Scheme)**
  The Group operates a bonus scheme for all employees, including the executive directors, and the criteria for this scheme is dependent on the financial performance of the Group. Bonus payable to the executive directors are reviewed by the Remuneration Committee and approved by the Board.

- **Retirement Plan**
  Contributions are made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan, in respect of all Malaysian-resident executive directors. A scheme of retirement gratuity is also provided for all eligible directors and is reviewed annually by the Remuneration Committee and approved by the Board.

- **Other Benefits**
  Other benefits include car and driver allowance as well as medical insurance policy.

## Directors' Remuneration

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

| Directors | Number of Directors 2011 | Number of Directors 2010 |
|---|---|---|
| ***Executive directors:*** | | |
| RM650,001 – RM700,000 | - | 1 |
| RM800,000 – RM850,000 | 1 | - |
| ***Non-Executive directors:*** | | |
| Below RM50,000 | 1 | 2 |
| RM50,001 – RM100,000 | 5 | 4 |

## Information Systems and Technology (IST) Committee

Chairman
**MR. LOW HIN CHOONG**
Non-Independent Non-Executive Director

Members
**MR. KONG KAM SEONG**
Group Financial Controller

**MR. HOR LAOW YIK**
Group Information Systems and Services Manager

## Terms of Reference

The IST Committee was set up by the Board on 6 August 2009 to support the Board in formulating, implementing and administer the Group's information systems and information technology strategy and policies through the Group's Information Systems and Services ("ISS") department, in line with the Group's overall strategic plan. The IST Committee meets at least once a month, or more frequently, at its discretion. All members shall attend the meetings and other representatives from user groups from within the Group may attend meetings upon invitation of the IST Committee. The IST Committee reports to the Board at each Board meeting the progress of the activities undertaken by the Group ISS department.

The duties of IST Committee shall be:

- To serve as a channel of communication between Group ISS department and users of its services;
- To review the external auditors' management letters in areas pertaining to IST control and environment;
- To formulate and monitor the Group's IST implementation plan;
- To review, deliberate and recommend IST investment proposals to the Board for approval;
- To review, deliberate and approve annual budgets for IST; and
- To review the adequacy of the scope, functions and resources of the ISS department.

### Directors' Training

The Company arranges relevant training programs for all Directors. In addition, individual Directors may also attend additional training courses according to their needs as a director or member of Board Committees on which they serve. In 2011, all Directors have attended the following development and training programs to further enhance their skill and knowledge and complied with paragraph 15.09 of the Listing Requirements of Bursa Malaysia Securities Berhad.

| No. | Director's Name | Type of "Seminar" | Organizer | Date of Seminar | Duration |
|---|---|---|---|---|---|
| 1. | Tan Sri Lee Lam Thye | 1. Board of Directors' Workshop<br>2. "The Securities Commission's New Corporate Governance Blueprint - What does it mean for your Company" | Media Prima Berhad<br>Bursa Malaysia | 20 July 2011<br>10 August 2011 | |
| 2. | Mr. Low Hin Choong | Governance Programme Series - A talk by John H. Stout | Bursa Malaysia | 5 May 2011 | ½ day |
| 3. | Dato' Abdul Rahim Abdul Halim<br>Mr. Looi Kok Loon<br>Encik Iskander Ismail Mohamed Ali<br>Encik Aqil Ahmad Azizuddin<br>Mr. Low Hin Choong<br>Mr. Wong Wei Khin | Effective Enterprise Risk Management Framework | In house, conducted by Mr. Boey Tak Kong from Terus Mesra Sdn Bhd | 10 November 2011 | ½ day |
| 4. | Mr. Looi Kok Loon | 1. Management Liability Exposures in Today's Business Environment<br>2. Towards a Brighter Future- Making Malaysia a Regional Investment Hub | Insfield Insurance Brokers Sdn Bhd<br>Deloitte | 19 May 2011<br>12 December 2011 | |
| 5. | Mr. Looi Kok Loon<br>Encik Iskander Ismail Mohd Ali | Impact of the Debt Crisis in USA and Europe on the Malaysia Economy and the Region | Presented by Tan Sri Dato' Dr. Lin See Yan, organised by Vistage | 8 November 2011 | |

## SHAREHOLDERS

### Dialogue Between the Company and Investors

As part of the Board's responsibility in developing and implementing an investor relations programme, regular formal and informal dialogues were held between senior management and analysts/fund managers throughout the year. Permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information about the Group is, however, not disclosed in these exchanges until after the prescribed announcement to Bursa Malaysia has been made. During the year 2011, the Company held a formal analysts/fund managers briefing on 18 February 2011, conducted by the Managing Director and senior executives of the Group.

### Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and Annual Report are sent out to shareholders at least 21 days before the date of meeting.

Besides the usual agenda for the Annual General Meeting, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors, the Board ensures that full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

An explanatory statement to facilitate full understanding and evaluation of the issues involved will accompany items of special business included in the notice of the meeting.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

For financial reporting through quarterly reports to Bursa Malaysia and the Annual Report to shareholders, the directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to Section 169 of the Companies Act 1965 is set out on page 45 of this annual report.

### Relationship with Auditors

The roles of the Audit Committee in relation to the auditors are stated in the Report on Audit Committee set out on pages 41 to 44. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

### Corporate Social Responsibility

MBMR is committed to ensuring that our decisions and actions benefit our shareholders as well as our employees, society and the environment we operate in.

We strive to maintain safe and healthy working conditions for all employees.

The Company encourages the practice of giving back to the community to which we have contributed to various charitable causes during the year.

### Statement of Compliance with the Best Practice of the Code

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 18 April 2012.

**DATO' ABDUL RAHIM ABDUL HALIM**
**CHAIRMAN**

# Attendance at Board of Directors' Meetings and Annual General Meeting

The number of Board of Directors' meetings held during the directors' tenure in office in the current financial year and the number of meetings attended by each director are as follows:

| Directors | Number of Board Meetings Held During Directors' Tenure in Office | Number of Meetings Attended by Directors |
|---|---|---|
| Y.Bhg. Dato' Abdul Rahim Abdul Halim (Chairman) | 5 | 5 |
| Mr. Looi Kok Loon | 5 | 5 |
| Y.Bhg. Tan Sri Lee Lam Thye JP | 5 | 5 |
| Encik Iskander Ismail Mohamed Ali | 5 | 5 |
| Encik Aqil Ahmad Azizuddin | 5 | 5 |
| Mr. Low Hin Choong | 5 | 5 |
| Mr. Wong Wei Khin | 5 | 5 |

Date of Board of Directors' Meetings:

1) 17 February 2011
2) 24 May 2011
3) 11 August 2011
4) 19 October 2011
5) 10 November 2011

**Annual General Meeting**

The Seventeenth Annual General Meeting held on 14 June 2011 was attended by all directors.

# Other Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad

### Share Buyback

During the financial year, the Company did not enter into any share buyback transactions.

### Options or Warrants

During the financial year, 121,000 and 145,000 options of RM1.00 each were exercised at an option price of RM2.54 and RM2.43 per share respectively. The total number of unexercised options as at 31 December 2011 was 2,565,000.

The Company does not have any outstanding warrants 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.

### Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the year.

### Non- Audit Fees

There were no non-audit fees paid to the external auditors by the Group and by the Company during the year.

### Profit Estimate, Forecast and Projection

There were no variances of 10% or more between the results for the financial year and the unaudited results previously announced.

### Profit Guarantee

During the financial year, there were no profit guarantees given by the Company.

# Statement on Internal Control

## RESPONSIBILITY

The Board of Directors of MBMR has overall responsibility for overseeing the Group's systems of internal control and for reviewing their effectiveness. This process lends support to the role of management of implementing the various policies on risk and control, which has been approved by the Board. Due to limitations that are inherent in any system of internal control, these systems are designed to manage and mitigate, rather than eliminate, the respective inherent risks that exist in achieving the Group's business objectives. Internal controls can only provide reasonable, and not absolute, assurance against material misstatement or loss.

## KEY PROCESSES

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the Annual Report and financial statements. Internal control weaknesses identified, which are not major, have been addressed by the management. None of the weaknesses has resulted in any material loss that would require disclosure in the Group's financial statements.

The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication, **"Statement of Internal Control: Guidance for Directors of Public Listed Companies".**

The key processes that the Board has established in reviewing the adequacy and integrity of the systems of internal control are as follows:

1. The Group's risk management principles and procedures are clearly documented. The Group's management operates a risk management process that identifies the key risks faced by the Group. Further details of the Group's financial risk management policies are set out in Note 49 to the financial statements.

2. The Board receives and reviews regular reports from the management on key operating statistics, legal, regulatory and environment matters that affect the Group operations. The Board approves appropriate responses, or significant amendments to the Group's policies, if required.

3. There is a comprehensive budgeting and forecasting system in place that is governed by the policies and guidelines of the Group. The financial results of the various business lines of the Group are reported monthly in the management reports where variances are analysed against respective budget and acted on in a timely manner. Where necessary, budgets are revised at mid-year, taking into account any changes in business conditions.

4. The Group's internal audit department, reporting to the Audit Committee, performs regular reviews of business processes against documented and approved policies to assess the overall effectiveness of internal controls and highlight any significant deviation from these policies that might enhance risks faced by the Group. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.

5. The Audit Committee, on behalf of the Board, regularly reviews and holds discussions with management on the action taken on internal control issues identified in reports prepared by the internal audit department, the external auditors and the management.

6. There is a clearly defined framework for appraising significant transactions that involve commitment of the Group's assets, such as the acquisition and disposal of any business, acceptance of projects, capital expenditure and approval of borrowings. Post implementation reviews are conducted and reported to the Board.

7. Policies and standard operating procedures manuals are sent to all employees and these set out the Group's reporting hierarchy and procedures.

8. There is Board representation in the Group's associate companies. Information on the financial performance of the associated companies is provided regularly to the Management of the Company, and ultimately to the Board of MBMR.

Statement made in accordance with the resolution of the Board of Directors dated 18 April 2012.

# Report on Audit Committee

## Membership of the Audit Committee and Attendance

Chairman
**ENCIK ISKANDER ISMAIL MOHAMED ALI**
Independent Non-Executive Director

Members
**Y. BHG. TAN SRI LEE LAM THYE**
Independent Non-Executive Director

**ENCIK AQIL AHMAD AZIZUDDIN** *(appointed on 1 January 2011)*
Non-Independent Non-Executive Director

| Committee Members | Number of Audit Committee Meetings Held During Members' Tenure in Office | Number of Meetings Attended by Members |
|---|---|---|
| Encik Iskander Ismail Mohamed Ali | 4 | 4 |
| Y. Bhg. Tan Sri Lee Lam Thye | 4 | 4 |
| Encik Aqil Ahmad Azizuddin (appointed on 1 January 2011) | 4 | 4 |

The Audit Committee met on 14 February 2011, 20 May 2011, 8 August 2011 and 8 November 2011 and was fully attended by all members standing as of these dates, as well as by the Managing Director, Group General Manager, Group Financial Controller and Internal Auditor. At the appropriate instances, the external auditor and other members of management were invited to attend the Audit Committee meetings.

## Composition and Terms of Reference

### 1. Members

The Audit Committee shall be appointed by the Board of directors from amongst the Directors of the Company and shall consist of not less than three (3) members, a majority of whom are independent and all shall be non-executive directors, consistent with the Best Practices of the revised Malaysian Code on Corporate Governance released by the Securities Commission on 1 October 2007.

All members of the Audit Committee have a working familiarity with basic finance and accounting practices, and one of its independent non-executive members is a member of the Malaysian Institute of Accountants.

No alternate director shall be appointed as a member of the Audit Committee. The Board of Directors shall review the terms of office and performance of its members once every three years to determine whether they have carried out their duties in accordance with their terms of reference.

Should a vacancy in the Audit Committee occur resulting in the non-compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board shall fill the vacancy within 3 months from the date of the vacancy.

### 2. Chairman

The chairman of the Audit Committee shall be approved by the Board of Directors and shall be an Independent Non-Executive Director.

### 3. Meetings

The Audit Committee meets at least four times a year, or more frequently, at its discretion. The Managing Director, Group Financial Controller, Internal Auditors and representatives of the external auditors will normally attend these meetings. Other Board members and members of the Group's management may attend meetings upon invitation of the Audit Committee.

However, it will meet at least once a year with the external auditors without the presence of executive directors and the management. The external auditors have the right to appear and be heard at any meetings of the Audit Committee and shall appear before it when required to do so by the Audit Committee.

The Company Secretary shall be Secretary of the Audit Committee.

# Report on Audit Committee

**4. Quorum**

A quorum should be 2 independent members, one of whom shall be the Chairman of the Audit Committee.

**5. Authority**

The Audit Committee is authorised by the Board of Directors to review any activity within its terms of reference. The Audit Committee is authorized to seek any information it may require from any director or member of management and it has full and unrestricted access to any information pertaining to the Group.

The Audit Committee shall obtain external professional advice and secure the attendance of outsiders with the relevant experience if deemed necessary, the expense of which will be bourne by the Company.

The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors, without the presence of non-independent directors, if deemed necessary.

## Responsibilities and Duties

The responsibilities and duties of the Audit Committee are:

**1. Financial Reporting**

- To review the quarterly and year-end financial statements of the Group and the Company with Management, focusing particularly on any changes in or implementation of major accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions and compliance with applicable approved accounting standards and other legal and regulatory requirements;
- To discuss and note any new financial accounting standards that may be adopted into the financial reporting of the Group for any financial year;
- To prepare the annual Audit Committee Report for inclusion in the Group's Annual Reports; and
- To review the Board's Statements of Compliance with the Malaysian Code of Corporate Governance for inclusion the Group's Annual Reports.

**2. Internal Control and Risk Management Reviews**

- To review annually the Group's critical areas of risk, and to ensure that these risks are properly identified, assessed and monitored;
- To ensure that the Group's systems of internal controls have been properly conceived and are in place;
- To ensure that there is proper compliance with the Group's established internal policies and procedures and that exceptions are reported to the Committee; and
- To recommend to the Board of Directors steps to improve the Group's systems of internal control and to minimize critical risks (as well as maximize areas of available opportunities) derived from the findings of the internal and external auditors.

**3. Internal Audit**

- To review annually the adequacy of the scope, functions and resources of the internal auditors, and ensure that they have the necessary authority to carry out their work;
- To ensure that the importance and necessity of the internal audit functions are communicated effectively throughout the Group;
- To approve any appointment or termination of senior internal auditors; and
- To take cognizance of resignations of internal auditors and provide the opportunity for any resigning audit member to submit his reasons for resigning.

**4. Related Party Transactions**

- To review recurrent related party transactions entered into by the Company, Group and its subsidiaries; and
- To consider any related party transactions and conflict of interest situations that may arise within the Group, including any transaction, procedure or course of conduct that may affect management integrity.

**5. External Audit**

- To consider the appointment of the external auditors, the audit fees and any questions of as to their resignation or dismissal;

- To discuss with external auditors before the audit commences, their audit plan, the nature and scope of their audit;

- To discuss and resolve any problems and reservations arising from the interim and final audit of the Group's financial statements that the external auditors might have, and discuss any matters the external auditors may wish to table (in absence of management where necessary), before recommendation to the Board of Directors for their approval;

- To review with external auditors the Group's Statement of Internal Control before recommendation of the same for inclusion into the Group's Annual Reports; and

- To review the external auditors' management letters and management's responses.

**6. Others**

- To have explicit authority to investigate certain matters, with the resources with which it needs to do so, e.g. professional advice, and with full access to information;

- To consider the major findings of any internal investigation and the management's response;

- To promptly report to Bursa Malaysia Securities Berhad on matters reported by it to the Board that have not been satisfactorily resolved that may result in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad; and

- To act on any matter as directed by the Board of Directors.

**7. Occupational Safety, Health and Environment Compliance**

- To receive regular updates from the Safety and Health Committee regarding compliance with related laws and regulations and monitor such compliance, excluding, however, legal compliance matters subject to the oversight of the Safety and Health Committee.

- To review the measures taken to ensure the occupational safety and health of persons at the workplace and investigate any related matters arising.

- To review the findings of any examination of non-compliance by regulatory authorities and internal auditors' observations relating to occupational safety and health matters.

## Summary of Activities During 2011

In 2011, the Audit Committee discharged its duties in accordance to its Terms of Reference and its Responsibilities and Duties.

The Committee met four times during 2011, undertaking the following activities:

**1. Financial Reporting**

- Reviewed the financial statements and related the quarterly announcements to Bursa Malaysia Securities Berhad, with emphasis on significant changes to accounting policies and practices, adjustments arising from audits, compliance with accounting standards and other legal requirements, before presentation of these financial statements and announcements to the Board of Directors for their approval, and subsequent release of the quarterly announcements to Bursa Malaysia Securities Berhad.

- Arranged for Directors to be updated on any new International Financial Reporting Standards that would be adopted into the quarterly and annual financial reports of the Group.

**2. Internal Control and Risk Management Reviews**

- Reviewed the Group's risk management program, especially on those areas where the policies and procedures were in the process of being completed and on where there were previously identified weaknesses.

- Reviewed the reports and recommendations of the internal and external auditors on the Group's risk areas and systems of internal controls and made the appropriate recommendations to the Board of Directors.

**3. Internal Audit**

- Discussed with internal auditors on their scope of work, adequacy of resources, management and employee cooperation and co-ordination with external auditors.

- Reviewed the reports prepared by the internal auditors on the state of internal control over the Group's functions and processes and any matters arising there from to ensure that appropriate action has or will be immediately taken to overcome any weaknesses, according to the internal audit recommendations.

# Report on Audit Committee

**4. Related Party Transactions**

- Reviewed related party transactions entered into by the Group and its subsidiaries to ensure that they were transacted in accordance with best practices.

**5. External Auditors**

- Reviewed with the external auditors the Group's Statement of Internal Control before recommending the same for inclusion in the Group's 2011 Annual Report.
- Reviewed the financial statements together with external auditors' management letter and management's responses, before recommending approval of the financial statements and reporting the external audit findings to the Board of Directors.
- Reviewed and discussed with external auditors their audit plan and scope for the year as well as the audit procedures to be utilized.
- Reviewed the external audit findings, focusing on the steps taken and assurances given by employees of the Group to be satisfied that all appropriate steps have been taken.

**6. Others**

- The Chairman of Audit Committee regularly engaged with the Managing Director, the Group Financial Controller and the Internal Auditors in order to be kept informed of matters with regards to the Group and the Company's affairs in a timely manner.

**7. Internal Audit Investigation**

- Reviewed the Investigation Audit Report prepared by the Group's Internal Auditor pertaining to outstanding balances in one of the subsidiary company's branches.

  In April 2011, after being notified by Daihatsu Malaysia Sdn Bhd's ("DMSB") management of certain discrepancies in outstanding balances in the DMSB debtors ageing lists the Group's Internal Auditor was appointed by the Executive Management to review these outstanding balances and other unusual sales transactions to confirm their concerns of customers not fully settling the amounts due prior to taking physical delivery of the vehicle.

  As a result of Audex's investigation, the following steps were taken by the Group:

- A sales staff was suspended after admitting that he had misappropriated approximately RM1.6 million of sales proceeds. A police report was made with regards to this issue.
- The vehicle sales and other related procedures were tightened to prevent the occurrence of such incidents in future. Specifically, settlement of sales by cash has now been prohibited.
- The external auditor was informed of these breaches, and they subsequently reported the matter to the Companies Commission of Malaysia, including the actions (corrective and otherwise) taken by the Group.
- A provision of RM2.0 million was made for the amount misappropriated.

## Internal Audit Function

The Group's Internal Audit Function is outsourced to a professional service company, Audex Governance Sdn Bhd, and they report directly to the Audit Committee. The principal responsibility of the Group's Internal Auditor is to undertake regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that these systems are adequate and effective, and continue to operate satisfactorily within the Group. The scope of work of the Group's Internal Auditor is determined and approved by the Audit Committee, and takes into consideration feedback from Executive Management.

The cost incurred for the internal audit function in the financial year 2011 was made up of fees paid to the Internal Auditors amounting to RM189,000.

## Summary of Activities of the Internal Auditor During 2011

During the financial year ended 31 December 2011, the Group's Internal Auditor's activities were as follows:

- Conducted audits in accordance with the audit plan approved by the Audit Committee. This included follow up reviews to determine the status of implementation of agreed management action plans.
- Presented the results of the audits to the Audit Committee at their quarterly meetings.
- Carried out an audit investigation as directed by the Audit Committee, the results of which were tabled at one of the Audit Committee quarterly meetings.

# Statement of Directors' Responsibilities in Relation to the Financial Statements

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are required to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The directors consider that preparing the financial statements:
- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

# Analysis of Shareholdings

**ANALYSIS OF SHAREHOLDINGS**
as at 30 April 2012

| | | |
|---|---|---|
| Authorised Share Capital | : | 500,000,000 |
| Paid-up & Issued Share Capital | : | 243,887,667 |
| Type of Shares | : | Ordinary Shares of RM1.00 |
| No. of Shareholders | : | 3,218 |
| Voting Rights | : | One vote for every share |

# Size of Shareholdings

**SIZE OF SHAREHOLDINGS**
as at 30 April 2012

| | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 1000 | 741 | 23.03 | 348,381 | 0.14 |
| 1001 - 10,000 | 1,978 | 61.47 | 6,622,367 | 2.72 |
| 10,001 - 100,000 | 370 | 11.50 | 11,850,988 | 4.86 |
| 100,001 - less than 5% of issued shares | 124 | 3.85 | 74,724,097 | 30.64 |
| 5% and above of issued shares | 5 | 0.16 | 150,341,834 | 61.64 |
| | 3,218 | 100 | 243,887,667 | 100 |

**CATEGORY OF SHAREHOLDERS**
as at 30 April 2012

| | Category of Shareholders | No.of Holders | | | No. of Securities | | | % | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Malaysian | | Foreign | Malaysian | | Foreign | Malaysian | | Foreign |
| | | Bumi | Non-Bumi | | Bumi | Non-Bumi | | Bumi | Non-Bumi | |
| 1 | Individual | 296 | 2,334 | 29 | 5,559,348 | 23,134,519 | 232,454 | 2.28 | 9.49 | 0.10 |
| 2 | Body Corporate | | | | | | | | | |
| a. | Banks/ Finance Companies | 13 | 4 | 0 | 5,198,700 | 29,333 | 0 | 2.13 | 0.01 | - |
| b. | Investment Trusts/ Foundation/Charities | 1 | 0 | 0 | 8,333 | 0 | - | 0.00 | - | - |
| c. | Other types of Companies | 12 | 74 | 1 | 74,308,767 | 6,819,097 | 3,333 | 30.47 | 2.80 | 0.00 |
| 3 | Government Agencies/ Institutions | 4 | 1 | 0 | 8,244,320 | 1,500,000 | - | 3.38 | 0.62 | - |
| 4 | Nominees | 208 | 175 | 66 | 7,530,135 | 104,479,151 | 6,840,177 | 3.09 | 42.84 | 2.80 |
| 5 | Others | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| | SUB TOTAL | 534 | 2,588 | 96 | 100,849,603 | 135,962,100 | 7,075,964 | 41.35 | 55.75 | 2.90 |
| | MALAYSIAN TOTAL | 3,122 | | | 236,811,703 | | | 97.10 | | |
| | GRAND TOTAL (Malaysian + Foreign) | | 3,218 | | | 243,887,667 | | | 100.00 | |

# List of Top 30 Shareholders

**LIST OF TOP 30 SHAREHOLDERS**
as at 30 April 2012

| No. | Names | Holdings No. of Shares | Holdings % |
|---|---|---|---|
| 1 | Med-Bumikar Mara Sdn Bhd | 72,497,801 | 29.74 |
| 2 | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Med-Bumikar Mara Sdn Bhd | 57,000,000 | 23.37 |
| 3 | Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board | 23,428,933 | 9.59 |
| 4 | Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For American International Assurance Berhad | 9,771,800 | 4.00 |
| 5 | Lembaga Tabung Haji | 4,663,065 | 1.91 |
| 6 | Yap Lim Sen | 4,152,118 | 1.70 |
| 7 | Permodalan Nasional Berhad | 3,539,600 | 1.45 |
| 8 | Looi Kum Pak @ Looi Kam Phak | 2,430,076 | 0.99 |
| 9 | Amsec Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) | 1,617,400 | 0.66 |
| 10 | Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund | 1,511,333 | 0.61 |
| 11 | Employees Provident Fund Board | 1,500,000 | 0.61 |
| 12 | Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadanan) (Kenanga) | 1,388,000 | 0.56 |
| 13 | Central Shore Sdn Bhd | 1,379,540 | 0.56 |
| 14 | CIMB Group Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for CIMB Islamic Dali Equity Theme Fund | 1,086,700 | 0.44 |
| 15 | Amanahraya Trustees Berhad Skim Amanah Saham Bumiputra | 1,041,400 | 0.42 |
| 16 | HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee for OSK-UOB Equity Trust (3175) | 1,000,000 | 0.41 |

# List of Top 30 Shareholders

| No. | Names | Holdings No. of Shares | Holdings % |
|---|---|---|---|
| 17 | Zaharah binti Nordin | 1,000,000 | 0.41 |
| 18 | Amanahraya Trustees Berhad<br>Public Islamic Opportunities Fund | 968,700 | 0.39 |
| 19 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for OSK-UOB Growth and Income Focus Trust (4892) | 954,000 | 0.39 |
| 20 | Yap Siew Chin | 895,598 | 0.36 |
| 21 | Yap Jek Nan | 889,033 | 0.36 |
| 22 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for MAAKL Al-Faid(4389) | 859,900 | 0.35 |
| 23 | RHB Investment Bank Berhad<br>Exempt An Clr for Amanahraya Trustees Berhad | 859,500 | 0.35 |
| 24 | Mayban Nominees (Tempatan) Sdn Bhd<br>Malaysia Trustees Berhad for AMB Smallcap Trust Fund (240165) | 780,900 | 0.32 |
| 25 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt an for Kenanga Investors Bhd | 740,500 | 0.30 |
| 26 | NGT Holdings Sdn Bhd | 702,323 | 0.28 |
| 27 | UOBM Nominees (Tempatan) Sdn Bhd<br>UOB-OSK Asset Management Sdn Bhd for Uni. Asia Life Assuranceberhad (Par Fund) | 686,300 | 0.28 |
| 28 | Abdul Rahim bin Abd Halim | 657,828 | 0.26 |
| 29 | Universal Trustee (Malaysia) Berhad<br>CIMB-Principal Equity Fund 2 | 618,200 | 0.25 |
| 30 | HSBC Nominees (Tempatan) Sdn Bhd | 733,000 | 0.30 |
| | **TOTAL** | **199,353,548** | **81.62** |

# Directors' Shareholdings

**DIRECTORS' SHAREHOLDERS**
as at 30 April 2012

| | | No. of Shares Held | | | |
|---|---|---|---|---|---|
| No. | Name of Shareholders | Direct | Indirect | Total | % |
| 1. | Dato' Abdul Rahim Abdul Halim | 657,828 | 1,350,000 | 2,007,828 | 0.82% |
| 2. | Looi Kok Loon | 450,243 | 3,317,980 | 3,768,223 | 1.55% |
| 3. | Tan Sri Lee Lam Thye | - | - | - | 0.00% |
| 4. | Iskander Ismail Mohamed Ali | - | - | - | 0.00% |
| 5. | Aqil Ahmad Azizuddin | 440,066 | 2,151,939 | 2,592,005 | 1.06% |
| 6. | Low Hin Choong | 20,000 | 895,598 | 915,598 | 0.38% |
| 7. | Wong Wei Khin | 133,333 | 889,973 | 1,023,306 | 0.42% |

# List of Properties

| Location | Land Area (Build-up Area) Sq Meter | Description of Property and Existing Use | Approx. Age of Building | Tenure | Book Value as at 31.12.11 (RM'000) |
|---|---|---|---|---|---|
| **Proprietor: Daihatsu (Malaysia) Sdn Bhd** | | | | | |
| Lot 2B, Jalan Keluli, Section 15 40000 Shah Alam Selangor Darul Ehsan | 9,821 | Industrial land used as vehicle storage yard | 21 | Leasehold (expiring on 26.1.2087) | 6,262 |
| Lot 1, Lorong 51A/227C 46100 Petaling Jaya Selangor Darul Ehsan | 1,677 (674) | Industrial land building used as workshop | 19 | Leasehold (expiring on 13.3.2074) | 1,335 |
| B-317, Blue Lagoon Port Dickson Negeri Sembilan Darul Khusus | (78) | 2-bedroom condominium used for leisure and recreation | 19 | Freehold | 106 |
| Lot 1, Jalan Keluli, Section 15 40000 Shah Alam Selangor Darul Ehsan | 11,294 (4,860) | Industrial land with building used as showroom, workshop and office | 23 | Leasehold (expiring on 12.1.2086) | 5,996 |
| Lot 2A, Jalan Keluli, Section 15 40000 Shah Alam Selangor Darul Ehsan | 14,928 (4,608) | Industrial land with building used as body building, workshop and store | 19 | Leasehold (expiring on 26.1.2087) | 4,358 |
| Lot 68-G, 68-1 Lot 69-G, 69-1 Selayang Baru, Selangor Darul Ehsan | (944) | 2 units of Ground & 1st Floor of shop office building | 19 | Leasehold (expiring in year 2092) | 1,026 |
| Apartment 401 Block 2, Jalan SS18/47 40000 Shah Alam, Selangor Darul Ehsan | (66) | 3-bedroom apartment used as accommodation for employees when attending training | 19 | Leasehold (expiring on 29.7.2096) | 33 |
| 20, Jalan 54 Desa Jaya, Kepong 52100 Kuala Lumpur | 270 (1,080) | 4-storey shop lot used as showroom and workshop | 18 | Leasehold (expiring on 8.3.2081) | 600 |
| 47, Jalan Tun Abdul Razak 30100 Ipoh Perak Darul Ridzuan | 3,728 (750) | Land with double-storey building used as showroom and workshop | 23 | Freehold | 1,801 |
| 32, Jalan Tun Razak 80200 Johor Bahru Johor Darul Takzim | 4,805 (939) | Land with building used as showroom and workshop | 17 | Leasehold (expiring on 21.12.2030) | 1,285 |

# List of Properties

| Location | Land Area (Build-up Area) Sq Meter | Description of Property and Existing Use | Approx. Age of Building | Tenure | Book Value as at 31.12.11 (RM'000) |
|---|---|---|---|---|---|
| Lot 1A, Jalan Keluli, Section 15 40000 Shah Alam Selangor Darul Ehsan | 440 | Commercial land with building used as showroom | 16 | Leasehold (expiring on 12.1.2086) | 404 |
| Lot 27, 28 and 29 Selayang Baru Selangor Darul Ehsan | (1,131) | 3 units of 1 1/2-storey terrace factory used as workshop | 18 | Leasehold (expiring in year 2092) | 1,003 |
| 1, Jalan Memanda 7/1, Ampang Triangle Off Jalan Ampang, 68000 Kuala Lumpur | 304 (1,331) | Corner 4 1/2-storey shop lot used as showroom | 16 | Freehold | 1,331 |
| 11A, Level 11, Genting View Resort Genting Highlands, Bentong Pahang Darul Makmur | (92) | 3-bedroom apartment used for leisure and recreation | 19 | Freehold | 123 |
| 2, Jalan 19/36 45300 Petaling Jaya, Selangor Darul Ehsan | (966) | Land with 4-storey corner shophouse | 15 | Freehold | 2,248 |
| Lot 6165A Bukit Beruntung Industrial Park Selangor Darul Ehsan | 5,681 | Industrial land with building | 17 | Freehold | 1,903 |
| 3/G10 Ground & First Floor Api Api Centre Kota Kinabalu, Sabah | 127 (242) | Showroom | 15 | Leasehold (expiring on 6.2.2094) | 571 |
| 5/G8 Ground & First Floor Api Api Centre Kota Kinabalu, Sabah | 127 (242) | Showroom | 15 | Leasehold (expiring on 6.2.2094) | 757 |
| Lot 2, Jalan Gergaji 15/4 Shah Alam Selangor Darul Ehsan | 12,070 | Industrial land with building | 13 | Leasehold (expiring in year 2094) | 3,939 |
| Lot 48 & 57, Bukit Beruntung Industrial Park Selangor Darul Ehsan | 8,247 | Industrial land | 17 | Freehold | 3,491 |
| Units 3, 4, 7 and 8, Level 4 and 5 Block K, Bandar Bukit Beruntung Apartments, Selangor Darul Ehsan | (653) | 8 units apartments | 17 | Freehold | 124 |

# List of Properties

| Location | Land Area (Build-up Area) Sq Meter | Description of Property and Existing Use | Approx. Age of Building | Tenure | Book Value as at 31.12.11 (RM'000) |
|---|---|---|---|---|---|
| Lot 7, 8 and 9<br>HS (D) 70978, 67686<br>Bandar Kuala Lumpur | 502 | Commercial land with building used as showroom | 17 | Leasehold (expiring on 12.1.2067) | 7,600 |
| 111<br>Jalan Laksamana Cheng Ho<br>75000 Melaka | 5,263<br>(814) | Land with double-storey building used as showroom and workshop | 19 | Freehold | 1,701 |
| Lot 2702, Palm Spring, Port Dickson<br>Negeri Sembilan Darul Khusus | 834 | Bungalow lot | 20 | Freehold | 188 |
| Block SA-01, Signature Offices<br>Mid Valley, Phase 1<br>Bandar Kuala Lumpur | (3,062) | 11-storey office, commercial building | 10 | Leasehold (expiring in year 2098) | 10,592 |
| No 1, Jalan 7/3 Kawasan Perindustrian<br>Sri Kembangan, Selangor | 25,287 | Industrial land with 2 1/2 semi detached factory | 12 | Leasehold (expiring on 7.4.2088) | 2,152 |
| Lot 65, Section 22<br>Kuching Town District<br>Sarawak | 3,173 | Industrial land with building used as showroom and workshop | 9 | Leasehold (expiring on 31.12.2090) | 2,300 |
| 1/2 Miles, Jalan Tuaran<br>PO Box 22432<br>Kota Kinabalu, Sabah | 10,361 | Industrial land with building used as showroom, workshop and office | 5 | Leasehold | 10,218 |
| No 57, Jalan BRP 1/4, Bukit Rahman Putra<br>47000 Sg. Buloh, Selangor | 3,803 | 3 1/2-storey corner shop | 7 | Freehold | 1,684 |
| No.29, Jalan SR 1/9<br>Taman Serdang Raya<br>43300 Seri Kembangan | (1,944) | 3 1/2-storey shop lot | 5 | Leasehold (expiring in16.6.2095) | 953 |
| Lot 12, Jalan Dua<br>Off Jalan Chan Sow Lin<br>55200 Kuala Lumpur | 5,364 | Detached open sided factory | 4 | Leasehold (expiring in 27.4.2068) | 7,802 |
| **Proprietor: DMM Sales Sdn Bhd** | | | | | |
| 1262, Jalan Baru, 13700 Perai, Pulau Pinang | 10,775 | Industrial land with building | 13 | Freehold | 1,354 |

# List of Properties

| Location | Land Area (Build-up Area) Sq Meter | Description of Property and Existing Use | Approx. Age of Building | Tenure | Book Value as at 31.12.11 (RM'000) |
|---|---|---|---|---|---|
| No 1, Jalan Damai Utama<br>Taman Industri Damaiplus<br>83000 Batu Pahat, Johor | 6,787 | Industrial land with building | 12 | Freehold | 1,237 |
| **Proprietor: Federal Auto Holdings Berhad** | | | | | |
| Lot 15, Section 95A<br>No 9, Jalan Klang<br>Kuala Lumpur | 5,213 | Industrial land with building used as showroom, workshop and office | 42 | Freehold | 7,102 |
| 1103TS<br>910 NED Penang<br>89-A Sungei Pinang Road, Penang | 1,874 | Industrial land with building used as showroom, workshop and office | 29 | Freehold | 2,995 |
| Lot 4297, Mukim of Kuala Kinta<br>District of Kinta, 127,<br>Jalan Kuala Kangsar<br>Ipoh, Perak | 8,465 | Industrial land with building used as showroom, workshop and office | 29 | Freehold | 2,953 |
| Lot No. 420<br>Mukim of Tebrau<br>District of Johor Bahru, Johor | 10,652 | Industrial land with building used as showroom, workshop and office | 28 | Freehold | 3,774 |
| Lot 43, Jalan Pelukis U/46<br>Seksyen U1, Mukim Damansara<br>Daerah Petaling | 7,657 | Industrial land with building used as showroom, workshop and office | 3 | Freehold | 28,589 |
| **Proprietor: F.A Serve Sdn Bhd** | | | | | |
| Lot No. PT 13270<br>Mukim of Batu, District of Kuala Lumpur | 2,608 | Petrol station | 10 | Freehold | 2,104 |
| KMA Marketing Sdn Bhd | | | | | |
| SEDCO/LIKAS Industrial Estate,<br>Kolombong, Off Jalan Tuaran,<br>88450 Kota Kinabalu, Sabah | 6,235 | Industrial land with building used as showroom, workshop and office | 29 | Leasehold (expiring on 31.12.2034) | 1,297 |
| Units Nos. 2-1-14B and 2-1-15, Level 1, Ground Floor, Wawasan Plaza, Kota Kinabalu | 333 | Level One (Ground Floor) Shop Units. For Rent | 13 | Leasehold (expiring on 31.12.2086) | 2,502 |

# List of Properties

| Location | Land Area (Build-up Area) Sq Meter | Description of Property and Existing Use | Approx. Age of Building | Tenure | Book Value as at 31.12.11 (RM'000) |
|---|---|---|---|---|---|
| **Proprietor: Hirotako Acoustics Sdn. Bhd.** | | | | | |
| H.S. (D) 63563<br>PT No. 560<br>Mukim Damansara<br>Daerah Petaling Negeri Selangor | 24,212 | Industrial land with building used as manufacturing plant and office | 6 | Freehold | 17,320 |
| Lot 308 & 316 Block 26, Lot 601 Block 30, and Lot 308 & Lot 313 Block 39<br>Jalan Selayang Satu 27/27A<br>Taman Bunga Negara, Section 27<br>40400 Shah Alam, Selangor Darul Ehsan | (344) | 5 units of apartment | 15 | Freehold | 439 |
| **Proprietor: Autoliv Hirotako Sdn. Bhd.** | | | | | |
| Lot 1989, 4068 & 4069<br>Mukim Kajang<br>Daerah Hulu Langat<br>Selangor Darul Ehsan | 45,414 | Industrial land with building used as manufacturing plant and office | 8 | Freehold | 26,869 |
| **Proprietor: Oriental Metal Industries (M) Sdn Bhd** | | | | | |
| Lot 51<br>Jalan Utas 15/7<br>40200 Shah Alam, Selangor | 26,756 | Industrial land with building used as manufacturing plant and office | 27 | Leasehold (expiring on 4.5.2074) | 17,586 |
| Lot No 3, Jalan 5<br>Kawasan Bandar Sultan Sulaiman<br>Port Klang, Selangor | 32,375 | Vacant industrial land held for sale | - | Leasehold (expiring on 30.09.2090) | 6,103 |
| Lot 15017, Seksyen 20<br>Mukim Serendah<br>Daerah Hulu Selangor | 79,920 | Industrial land with building used as manufacturing plant and office | 3 | Leasehold (expiring on 25.10.2098) | 14,295 |
| **Proprietor: Summit Vehicles Body Works Sdn Bhd** | | | | | |
| Lot 42684, Jalan Omboh 34/1<br>Off Jalan Bukit Kemuning, Seksyen 34<br>40470 Shah Alam, Selangor | 13,850<br>(2,637) | Industrial land with building used as manufacturing plant and office | 5 | Freehold | 6,147 |
| | | | | TOTAL | 226,552 |

# Report of the Directors and Financial Statements for the Year Ended 31st December 2011

# Directors' Report

The directors of MBM RESOURCES BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

## Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are as disclosed in Note 50 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for the acquisition of subsidiaries as disclosed in Note 19 to the financial statements.

## Results of Operations

The results of operations of the Group and of the Company for the financial year are as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Profit before tax | 150,591 | 50,548 |
| Income tax expense | (12,520) | (3,864) |
| Profit for the year | 138,071 | 46,684 |
| **Profit attributable to:** | | |
| Owners of the Company | 121,237 | 46,684 |
| Non-controlling interests | 16,834 | - |
| | 138,071 | 46,684 |

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

# Dividends

The amounts of dividends paid by the Company since 1 January 2011 are as follows:

| | RM'000 |
|---|---|
| **In respect of the financial year ended 31 December 2010 as reported in the directors' report of that year:** | |
| Second interim and special single tier dividend of 8% on 242,766,667 ordinary shares, declared on 17 February 2011 and paid on 21 March 2011 | 19,421 |
| **In respect of the financial year ended 31 December 2011:** | |
| First interim single tier dividend of 6% on 242,887,667 ordinary shares, declared on 11 August 2011 and paid on 15 September 2011 | 14,573 |
| | 33,994 |

# Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

# Issue of Shares and Debentures

During the current financial year, the issued and paid-up ordinary share capital of the Company was increased from RM242,676,667 to RM242,942,667 by the issuance of 121,000 and 145,000 new ordinary shares of RM1.00 each at an issue price of RM2.54 and RM2.43 per ordinary share respectively, for cash pursuant to the exercise of options under the Company's Employees Share Option Scheme ("ESOS").

The resulting share premium of RM393,690 arising from the issue of shares had been credited to the share premium account.

The new ordinary shares issued during the current financial year rank pari passu in all respects with the then existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

# Share Options

The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August 2002. The ESOS was implemented on 2 September 2002 and is to be in force for a period of 10 years from the date of implementation.

The main features of the ESOS and the movements in the share options for the year ended 31 December 2011 are disclosed in Note 33(b) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 200,000 ordinary shares of RM1 each.

# Other Statutory Information

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

(a) to ascertain that proper 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 no known bad debts need to be 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 their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or render 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 would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than as disclosed in Note 47 to the financial statements.

## Directors

The following directors served on the Board of the Company since the date of the last report:

Dato' Abdul Rahim bin Abdul Halim
Looi Kok Loon
Tan Sri Lee Lam Thye
Iskander bin Ismail Mohamed Ali
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin
Low Hin Choong
Wong Wei Khin

In accordance with Article 78 of the Company's Articles of Association, Dato' Abdul Rahim bin Abdul Halim and Encik Iskander bin Ismail Mohamed Ali retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# Directors' Interests

The shareholdings in the Company and in the related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

| | NUMBER OF ORDINARY SHARES OF RM1 EACH | | | |
|---|---|---|---|---|
| | As of 1.1.2011 | Bought | Sold | As of 31.12.2011 |
| **SHARES IN THE COMPANY** | | | | |
| **Direct interest** | | | | |
| Dato' Abdul Rahim bin Abdul Halim | 657,828 | - | - | 657,828 |
| Looi Kok Loon | 393,243 | 50,000 | - | 443,243 |
| Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin | 560,066 | - | - | 560,066 |
| Low Hin Choong | 20,000 | - | - | 20,000 |
| Wong Wei Khin | 573,333 | 3,000 | - | 576,333 |
| **Indirect interest** | | | | |
| Dato' Abdul Rahim bin Abdul Halim | 1,350,000 | - | - | 1,350,000 |
| Looi Kok Loon | 2,683,180 | 722,143 | (157,243) | 3,248,080 |
| Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin | 3,038,559 | - | - | 3,038,559 |
| Low Hin Choong | 895,598 | - | - | 895,598 |
| Wong Wei Khin | 905,104 | 68,000 | (106,666) | 866,438 |
| **SHARES IN THE HOLDING COMPANY, MED-BUMIKAR MARA SDN. BHD.** | | | | |
| **Direct interest** | | | | |
| Dato' Abdul Rahim bin Abdul Halim | 5,686,650 | - | - | 5,686,650 |
| Wong Wei Khin | 1,023,489 | - | - | 1,023,489 |
| Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin | 1,000,000 | - | - | 1,000,000 |
| **Indirect interest** | | | | |
| Dato' Abdul Rahim bin Abdul Halim | 2,430,065 | - | - | 2,430,065 |
| Looi Kok Loon | 5,882,856 | - | - | 5,882,856 |
| Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin | 5,799,853 | - | - | 5,799,853 |
| Wong Wei Khin | 4,544,565 | - | - | 4,544,565 |

By virtue of the above directors' interest in the shares of the Company and of the holding company, the abovementioned directors are also deemed to have an interest in the shares of the subsidiaries to the extent that the Company and the holding company have an interest.

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related companies during and at the end of the financial year.

# Directors' Benefits

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefits (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements or the fixed salaries of full-time employees of the Company) 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.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Holding Company

The immediate and ultimate holding company of the Company is Med-Bumikar Mara Sdn. Bhd., a company incorporated in Malaysia.

# Significant Events

The significant events during the financial year are disclosed in Note 46 to the financial statements.

# Subsequent Events

The significant events subsequent to the end of financial year are disclosed in Note 47 to the financial statements.

# Auditors

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**DATO' ABDUL RAHIM BIN ABDUL HALIM**

**LOOI KOK LOON**

Kuala Lumpur
18 April 2012

# Statement by Directors

**MBM RESOURCES BERHAD**
(Incorporated in Malaysia)

The directors of **MBM RESOURCES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of the results of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 52 to the financial statements, which is not part of the financial statements, is prepared in all material respects, in accordance to 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 and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with
a resolution of the Directors,

**DATO’ ABDUL RAHIM BIN ABDUL HALIM**

**LOOI KOK LOON**

Kuala Lumpur
18 April 2012

**MBM RESOURCES BERHAD**
(Incorporated in Malaysia)

# Declaration by the Director Primarily Responsible for the Financial Management of the Company

I, **LOOI KOK LOON**, the director primarily responsible for the financial management of **MBM RESOURCES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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.

**LOOI KOK LOON**

Subscribed and solemnly declared by the abovenamed **LOOI KOK LOON** at **PETALING JAYA** this 18th day of April 2012.

Before me,

**PN KOH TWEE YONG@KOH TWEE SIEW (B375)**

**COMMISSIONER FOR OATHS**

# Independent Auditors' Report to the Members of MBM RESOURCES BERHAD

(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of **MBM RESOURCES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2011, 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 69 to 167.

### *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 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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 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 that 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 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 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 that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the 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 accounts and auditors' reports of the subsidiaries, of which we have not acted as auditors, as disclosed in Note 50 to the financial statements, being accounts that have been included in the financial statements of the Group.

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and

(d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

## Other Matter

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 towards any other person for the content of this report.

## Other Reporting Responsibilities

The supplementary information set out in Note 52 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

**DELOITTE KASSIMCHAN**
**AF 0080**
**Chartered Accountants**

**TEO SWEE CHUA**
**Partner - 2846/01/14 (J)**
**Chartered Accountant**

Petaling Jaya
18 April 2012

**MBM RESOURCES BERHAD**
(Incorporated in Malaysia)
**AND ITS SUBSIDIARIES**

# Statements of Comprehensive Income for the Year Ended 31 December 2011

| | Note | The Group 2011 RM'000 | The Group 2010 RM'000 | The Company 2011 RM'000 | The Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 5 | 1,705,573 | 1,528,494 | 60,634 | 45,893 |
| Cost of sales | 6 | (1,573,381) | (1,401,421) | - | - |
| Gross profit | | 132,192 | 127,073 | 60,634 | 45,893 |
| Other income | | 33,177 | 24,193 | - | - |
| Administrative and other expenses | | (70,715) | (53,015) | (11,483) | (3,687) |
| Selling and marketing expenses | | (52,652) | (46,764) | - | - |
| Finance costs | 7 | (2,129) | (755) | (543) | (100) |
| Interest income | 8 | 2,826 | 2,680 | 1,940 | 1,200 |
| Share of results of associates | | 107,892 | 118,990 | - | - |
| Gain recognised on disposal of subsidiary | | - | - | - | 2,600 |
| **Profit before tax** | 9 | 150,591 | 172,402 | 50,548 | 45,906 |
| Income tax expense | 13 | (12,520) | (11,029) | (3,864) | (3,140) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | 138,071 | 161,373 | 46,684 | 42,766 |
| **Discontinued operations** | | | | | |
| Results from discontinued operations | 12 | - | 1,122 | - | - |
| **PROFIT FOR THE YEAR** | | 138,071 | 162,495 | 46,684 | 42,766 |

*(Forward)*

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Other comprehensive loss** | | | | | |
| Share of revaluation deficit arising from fair value adjustments of assets in an associate | | - | (16) | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 138,071 | 162,479 | 46,684 | 42,766 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 121,237 | 142,136 | 46,684 | 42,766 |
| Non-controlling interests | | 16,834 | 20,359 | - | - |
| | | 138,071 | 162,495 | 46,684 | 42,766 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 121,237 | 142,121 | 46,684 | 42,766 |
| Non-controlling interests | | 16,834 | 20,358 | - | - |
| | | 138,071 | 162,479 | 46,684 | 42,766 |
| **Earnings per share** | 14 | | | | |
| From continuing and discontinued operations | | | | | |
| Basic (sen per share) | | 49.9 | 58.6 | | |
| Diluted (sen per share) | | 49.4 | 58.0 | | |
| From continuing operations | | | | | |
| Basic (sen per share) | | 49.9 | 58.8 | | |
| Diluted (sen per share) | | 49.4 | 58.2 | | |
| **Net dividends per ordinary share (sen)** | 15 | 14.00 | 8.00 | | |

The accompanying Notes form an integral part of the financial statements.

**MBM RESOURCES BERHAD**
(Incorporated in Malaysia)
**AND ITS SUBSIDIARIES**

# Statements of Financial Position as of 31 December 2011

| | Note | The Group 2011 RM'000 | The Group 2010 RM'000 | The Company 2011 RM'000 | The Company 2010 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 16 | 220,622 | 133,039 | 185 | 374 |
| Investment properties | 17 | 15,060 | 12,703 | - | - |
| Prepaid land lease payments | 18 | 39,574 | 39,596 | - | - |
| Investment in subsidiaries | 19 | - | - | 485,843 | 104,132 |
| Investment in associates | 20 | 742,229 | 619,783 | 173,989 | 173,989 |
| Other investments | 21 | 7,614 | 1,000 | - | - |
| Hire purchase receivables | 22 | - | - | - | - |
| Deferred tax assets | 23 | 3,702 | - | - | - |
| Intangible assets | 24 | 2,321 | - | - | - |
| Goodwill on consolidation | 25 | 224,325 | 11,435 | - | - |
| **Total Non-Current Assets** | | 1,255,447 | 817,556 | 660,017 | 278,495 |
| **Current Assets** | | | | | |
| Property development costs | 26 | 21,205 | - | - | - |
| Inventories | 27 | 261,687 | 199,032 | - | - |
| Trade receivables | 28 | 163,972 | 94,577 | - | - |
| Other receivables and prepaid expenses | 29 | 51,676 | 40,574 | 70 | 123 |
| Tax recoverable | | 6,765 | 6,059 | 1,834 | 1,631 |
| Amount owing by subsidiaries | 30 | - | - | 84,347 | 57,594 |
| Cash and bank balances | 31 | 253,034 | 182,818 | 33,965 | 84,512 |
| | | 758,339 | 523,060 | 120,216 | 143,860 |
| Non-current assets classified as held for sale | 32 | 6,103 | 6,103 | - | - |
| **Total Current Assets** | | 764,442 | 529,163 | 120,216 | 143,860 |
| **Total Assets** | | 2,019,889 | 1,346,719 | 780,233 | 422,355 |

*(Forward)*

| | Note | The Group 2011 RM'000 | The Group 2010 RM'000 | The Company 2011 RM'000 | The Company 2010 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 33 | 242,943 | 242,677 | 242,943 | 242,677 |
| Reserves | 34 | 864,929 | 775,545 | 190,206 | 177,122 |
| Equity attributable to owners of the Company | | 1,107,872 | 1,018,222 | 433,149 | 419,799 |
| Non-controlling interests | | 200,827 | 145,782 | - | - |
| **Total Equity** | | 1,308,699 | 1,164,004 | 433,149 | 419,799 |
| **Non-Current and Deferred Liabilities** | | | | | |
| Long-term borrowings | 35 | 332,845 | 21,199 | 299,161 | - |
| Deferred tax liabilities | 23 | 3,620 | 136 | - | - |
| Provision for retirement benefits | 36 | 1,867 | 1,619 | 1,775 | 1,535 |
| Hire purchase payables - non current portion | 37 | 41 | 56 | - | - |
| **Total Non-Current and Deferred Liabilities** | | 338,373 | 23,010 | 300,936 | 1,535 |
| **Current Liabilities** | | | | | |
| Non-cumulative redeemable preference shares | 38 | 928 | - | - | - |
| Provision for liabilities | 39 | 9,334 | 3,751 | - | - |
| Short term borrowings | 35 | 95,301 | 17,483 | 39,065 | - |
| Trade payables | 40 | 141,619 | 98,208 | - | - |
| Other payables and accrued expenses | 41 | 122,016 | 38,034 | 6,621 | 375 |
| Amount owing to holding company | 42 | 462 | 646 | 462 | 646 |
| Hire purchase payables - current portion | 37 | 16 | 15 | - | - |
| Tax liabilities | | 3,141 | 1,568 | - | - |
| **Total Current Liabilities** | | 372,817 | 159,705 | 46,148 | 1,021 |
| **Total Liabilities** | | 711,190 | 182,715 | 347,084 | 2,556 |
| **Total Equity and Liabilities** | | 2,019,889 | 1,346,719 | 780,233 | 422,355 |

The accompanying Notes form an integral part of the financial statements.

**MBM RESOURCES BERHAD**
(Incorporated in Malaysia)
**AND ITS SUBSIDIARIES**

# Statements of Changes in Equity for the Year Ended 31 December 2011

| The Group | Note | Share Capital RM'000 | Non-Distributable Reserves Share Premium RM'000 | Non-Distributable Reserves Revaluation Reserve RM'000 | Distributable Reserve - Retained Earnings RM'000 | Attributable to Equity Holders of the Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2010** | | 242,073 | 30,539 | 458 | 621,204 | 894,274 | 136,151 | 1,030,425 |
| Effects of change in accounting policy (Note 2) | | - | - | - | (285) | (285) | (66) | (351) |
| As restated | | 242,073 | 30,539 | 458 | 620,919 | 893,989 | 136,085 | 1,030,074 |
| Dividends distributed to owners of the Company | 15 | - | - | - | (19,386) | (19,386) | - | (19,386) |
| Dividends paid to non-controlling interests of subsidiaries | | - | - | - | - | - | (6,128) | (6,128) |
| Profit for the year | | - | - | - | 142,136 | 142,136 | 20,359 | 162,495 |
| Other comprehensive loss | | - | - | (15) | - | (15) | (1) | (16) |
| Total comprehensive income for the year | | - | - | (15) | 142,136 | 142,121 | 20,358 | 162,479 |
| Effect of discontinued operations | 19 | - | - | - | - | - | (4,533) | (4,533) |
| Issue of ordinary shares pursuant to ESOS | 33 | 604 | 894 | - | - | 1,498 | - | 1,498 |
| **As of 31 December 2010** | | 242,677 | 31,433 | 443 | 743,669 | 1,018,222 | 145,782 | 1,164,004 |

*(Forward)*

| The Group | Note | Share Capital RM'000 | Non-Distributable Reserves Share Premium RM'000 | Non-Distributable Reserves Revaluation Reserve RM'000 | Distributable Reserve - Retained Earnings RM'000 | Attributable to Equity Holders of the Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2011** | | 242,677 | 31,433 | 443 | 743,669 | 1,018,222 | 145,782 | 1,164,004 |
| Dividends distributed to owners of the Company | 15 | - | - | - | (33,994) | (33,994) | - | (33,994) |
| Dividends paid to non-controlling interests of subsidiaries | | - | - | - | - | - | (5,788) | (5,788) |
| Total comprehensive income for the year | | - | - | - | 121,237 | 121,237 | 16,834 | 138,071 |
| Effect of acquisition of subsidiaries | | - | - | - | - | - | 54,564 | 54,564 |
| Acquisition of non-controlling interests | | - | - | - | 1,747 | 1,747 | (10,565) | (8,818) |
| Issue of ordinary shares pursuant to ESOS | 33 | 266 | 394 | - | - | 660 | - | 660 |
| **As of 31 December 2011** | | 242,943 | 31,827 | 443 | 832,659 | 1,107,872 | 200,827 | 1,308,699 |

| The Company | Note | Share Capital RM'000 | Non-Distributable Reserves Share Premium RM'000 | Distributable Reserves Retained Earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|
| **As of 1 January 2010** | | 242,073 | 30,539 | 122,309 | 394,921 |
| Dividends | 15 | - | - | (19,386) | (19,386) |
| Total comprehensive income for the year | | - | - | 42,766 | 42,766 |
| Issue of ordinary shares pursuant to ESOS | 33 | 604 | 894 | - | 1,498 |
| **As of 31 December 2010** | | 242,677 | 31,433 | 145,689 | 419,799 |
| **As of 1 January 2011** | | 242,677 | 31,433 | 145,689 | 419,799 |
| Dividends | 15 | - | - | (33,994) | (33,994) |
| Total comprehensive income for the year | | - | - | 46,684 | 46,684 |
| Issue of ordinary shares pursuant to ESOS | 33 | 266 | 394 | - | 660 |
| **As of 31 December 2011** | | 242,943 | 31,827 | 158,379 | 433,149 |

The accompanying Notes form an integral part of the financial statements.

**MBM RESOURCES BERHAD**
(Incorporated in Malaysia)
**AND ITS SUBSIDIARIES**

# Statements of Cash Flows for the Year Ended 31 December 2011

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Profit for the year | 138,071 | 162,495 | 46,684 | 42,766 |
| Adjustments for: | | | | |
| Income tax expense | 12,520 | 11,029 | 3,864 | 3,140 |
| Depreciation of: | | | | |
| Property, plant and equipment | 8,123 | 8,658 | 44 | 109 |
| Investment properties | 145 | 144 | - | - |
| Finance costs | 2,129 | 755 | 543 | 100 |
| Allowance for doubtful debts: | | | | |
| Trade receivables | 2,096 | 313 | - | - |
| Other receivables | - | 37 | - | 37 |
| Provision/(Reversal of provision) for: | | | | |
| Service maintenance | 1,078 | 1,111 | - | - |
| Warranty | (1,628) | 843 | - | - |
| Claims for compensation | - | (180) | - | - |
| Provision for: | | | | |
| Defined benefit plans | 534 | 495 | - | - |
| Retirement gratuity | 240 | 240 | 240 | 240 |
| Allowance for slow-moving inventories | 522 | 168 | - | - |
| Amortisation of prepaid land lease payments | 519 | 542 | - | - |
| Property, plant and equipment written off | 42 | 10 | 2 | - |
| Share of results of associates | (107,892) | (118,990) | - | - |
| Interest income | (2,826) | (2,680) | (1,526) | (1,043) |
| Interest income on amount owing by subsidiaries | - | - | (414) | (157) |
| Allowance for doubtful debts no longer required: | | | | |
| Trade receivables | (636) | - | - | - |
| Hire purchase receivables | (5) | (75) | - | - |

*(Forward)*

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| (Gain)/Loss on disposal of: | | | | |
| Property, plant and equipment | (320) | (1,967) | - | - |
| Subsidiaries | - | 4,832 | - | (2,600) |
| Investment properties and prepaid land lease payments | - | (1,834) | - | - |
| Write down of inventories | - | 533 | - | - |
| Bad debts recovered | - | (18) | - | - |
| Dividend income | - | - | (59,966) | (45,137) |
| Operating Profit/(Loss) Before Working Capital Changes | 52,712 | 66,461 | (10,529) | (2,545) |
| Movements in working capital: | | | | |
| (Increase)/Decrease in: | | | | |
| Property development costs | (10,205) | - | - | - |
| Receivables | (21,218) | (48,687) | 53 | (78) |
| Inventories | (36,881) | (75,874) | - | - |
| Net changes in related company balances | (184) | 452 | (26,937) | 16,588 |
| Increase/(Decrease) in: | | | | |
| Payables | 20,014 | 58,739 | 459 | (161) |
| Provisions | (1,261) | (442) | - | - |
| Cash Generated From/(Used In) Operations | 2,977 | 649 | (36,954) | 13,804 |
| Income tax refunded | 1,275 | 635 | - | 169 |
| Income tax paid | (13,674) | (14,441) | - | (4) |
| Net Cash (Used In)/ From Operating Activities | (9,422) | (13,157) | (36,954) | 13,969 |

*(Forward)*

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | | |
| Dividends received from: | | | | |
| Subsidiaries | - | - | 12,202 | 9,579 |
| Associates | 52,559 | 39,819 | 43,697 | 32,364 |
| Interest received | 2,826 | 2,680 | 1,526 | 1,043 |
| Interest income on amount owing by subsidiaries | - | - | 414 | 157 |
| Proceeds from disposal of: | | | | |
| Property, plant and equipment | 1,384 | 2,870 | 149 | - |
| Investment properties and prepaid land lease payments | - | 10,855 | - | - |
| Subsidiaries | - | 9,481 | - | 11,100 |
| Net cash outflow from acquisition of subsidiaries (Note 19) | (295,791) | - | - | - |
| Increase in fixed deposits pledged with licensed banks | (27,954) | - | (27,954) | - |
| Purchase of property, plant and equipment | (25,739) | (27,927) | (6) | (8) |
| Acquisition of non-controlling interests | (8,818) | - | - | - |
| Purchase of investment in subsidiaries | - | - | (381,711) | - |
| Net Cash (Used In)/From Investing Activities | (301,533) | 37,778 | (351,683) | 54,235 |

*(Forward)*

| | Note | The Group 2011 RM'000 | The Group 2010 RM'000 | The Company 2011 RM'000 | The Company 2010 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES** | | | | | |
| Dividends paid | | (33,994) | (19,386) | (33,994) | (19,386) |
| Dividends paid to non-controlling interests of subsidiaries | | (5,788) | (6,128) | - | - |
| Finance costs paid | | (2,404) | (1,421) | (70) | (100) |
| Proceeds from term loans | | 370,274 | 11,305 | 343,540 | - |
| Repayment of: | | | | | |
| Term loans | | (14,151) | (838) | - | - |
| Hire purchase payables | | (35) | (219) | - | - |
| Net increase of other borrowings | | 39,253 | 22,004 | - | - |
| Proceeds from issue of shares | | 660 | 1,498 | 660 | 1,498 |
| Net Cash From/(Used In) Financing Activities | | 353,815 | 6,815 | 310,136 | (17,988) |
| **NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 42,860 | 31,436 | (78,501) | 50,216 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR** | | 181,376 | 149,940 | 84,512 | 34,296 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | 31 | 224,236 | 181,376 | 6,011 | 84,512 |

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements for the Year Ended 31 December 2011

## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are as disclosed in Note 50.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for the acquisition of subsidiaries as disclosed in Note 19.

The registered office of the Company is located at Suite C-5-4, Wisma Goshen, Plaza Pantai, Jalan Pantai Baharu, 59200 Kuala Lumpur, Malaysia and the principal place of business of the Company is located at No. 1-6, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on 18 April 2012.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

### Adoption of new and revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised Standards and Issues Committee Interpretations ("IC Interpretation") issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 January 2011 as follows:

*(Forward)*

| | |
|---|---|
| **FRS 1** | First-time Adoption of Financial Reporting Standards (revised) |
| **FRS 1** | First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters) |
| **FRS 1** | First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for First-time Adopters) |
| **FRS 2** | Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3) |
| **FRS 2** | Share-based Payment (Amendments relating to group cash-settled share based payment transaction) |
| **FRS 3** | Business Combinations (revised) |
| **FRS 5** | Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary) |
| **FRS 7** | Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments) |
| **FRS 127** | Consolidated and Separate Financial Statements (Revised) |
| **FRS 132** | Financial Instruments: Disclosures (Amendments relating to classification of rights issue) |
| **FRS 138** | Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3) |

**Improvements to FRSs 2010**

| | |
|---|---|
| **IC Interpretation 4** | Determining whether an arrangement contains a Lease |
| **IC Interpretation 9** | Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from FRS 3) |
| **IC Interpretation 12** | Service Concession Arrangements |
| **IC Interpretation 16** | Hedges of a Net Investment in a Foreign Operation |
| **IC Interpretation 17** | Distributions of Non-cash Assets to Owners |
| **IC Interpretation 18** | Transfers of Assets from Customers |

*(Forward)*

The adoption of these new and revised FRSs has not affected the amounts reported on the financial statements of the Group and of the Company except for the following:

### FRS 3 Business Combinations (Revised in 2010)

In accordance with the relevant transitional provisions, revised FRS 3 has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2011. The impact of the adoption of revised FRS 3:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interest') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if the payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the measurement period (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and

- to require acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Upon adoption, this Standard was applied prospectively and therefore, no restatements were required in respect of transactions prior to the date of adoption.

### FRS 127 Consolidated and Separate Financial Statements (Revised in 2010)

The revised FRS 127 affects the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisitions of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of the net assets disposed of was recognised in profit or loss. Under revised FRS 127, all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised FRS 127 requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

### (Amendments to FRS 7 Financial Instruments: Disclosures (Improving disclosures about financial instruments)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

### Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate* are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

Accordingly, although the Group and the Company are Transitioning Entities, they have not availed themselves of this transitional arrangement by choosing to adopt MFRS Framework for its next set of financial statements. Therefore, the Group and the Company will be required to apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") in its financial statements for the financial year ending 31 December 2012, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

# 3. SIGNIFICANT ACCOUNTING POLICIES

## Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention other than as disclosed in the summary of accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

## Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income of the Group from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

## Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant FRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

## Investment in Subsidiaries

A subsidiary is an entity over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Investment in subsidiaries, which is eliminated on consolidation, is stated at cost less impairment losses, if any, in the Company's separate financial statements.

## Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investment in associates is stated at cost less impairment losses, if any, in the Company's separate financial statements.

## Goodwill on Consolidation

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

## Non-Current Assets Classified as Held for Sale

Non-current assets are classified as held for sale 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.

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, assets (other than deferred tax assets, employee benefit assets, financial assets and inventories) are measured in accordance with FRS 5 that is the lower of carrying amount and fair value less cost to sell. Any differences are included in profit or loss.

## 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. The following specific recognition criteria must also be met before revenue is recognised:

(i) **Sales of Goods**

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of the goods.

(ii) **Revenue from Services**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(iii) **Dividend Income**

Dividend income is recognised when the Group’s right to receive payment is established.

(iv) **Interest Income**

Interest income from hire purchase transactions is recognised by calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. When an account becomes non-performing, interest is suspended until it is realised on cash basis. Hire purchase accounts are deemed to be non-performing when repayments are in arrears for more than six months.

(v) **Rental Income**

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

## Foreign Currency

### (i) Functional and Presentation Currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (the "functional currency"). For the purposes of the consolidated financial statements, the results and the financial position of each group entity are expressed in Ringgit Malaysia ("RM") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

### (ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in foreign currencies other than the entity's functional currency (i.e. foreign currencies) are recorded at the rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss in the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss in the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

## Employee Benefits

### (i) Short-term Employee Benefits

Wages, salaries, paid annual leaves, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

### (ii) Defined Contribution Plan

The Company and certain subsidiaries make statutory contributions to approved provident fund and the contributions are charged to profit or loss for the period. The approved provident fund is a defined contribution plan. Once the contributions have been paid, there are no further payment obligations.

(iii) **Retirement Benefits**

The Company operates an unfunded scheme for its eligible employees based on certain terms of the employment contract. The Company's net obligations in respect of the plan are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Contributions relating to the plan are charged to the profit or loss when incurred.

Daihatsu (Malaysia) Sdn. Bhd. and its subsidiaries ("Daihatsu Group") operate a funded, defined Retirement Benefit Scheme ("Scheme") for its eligible employees. Daihatsu Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their services in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

The amounts recognised in the statements of financial position represent the present value of the defined benefit obligations for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets for Daihatsu Group and full provision for eligible employees for the Company.

## Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Taxation

Income tax expense for the year comprises current and deferred tax.

Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an assets or liabilities in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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 substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the profit or loss, 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 to 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 liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss.

Freehold land and building under construction are not depreciated. Depreciation of other property, plant and equipment is computed on the straight-line method to write down the cost of the various property, plant and equipment to their residual values over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Buildings | 2% - 5% |
| Plant and machinery | 5% - 33 1/3% |
| Renovations and leasehold improvements | 10% - 33 1/3% |
| Furniture, fixtures, fittings, equipment and tools and implement | 5% - 33 1/3% |
| Motor vehicles | 20% - 25% |

The residual values, estimated useful lives and depreciation method are reviewed at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

## Investment Properties

Investment properties, comprising certain freehold land and buildings and leasehold buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and any impairment losses.

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 profit or loss.

Freehold land within investment properties is not depreciated. Freehold buildings and leasehold buildings are depreciated on the straight-line method at an annual rates of 1% - 5%.

## Property Development Activities

Property development costs comprise all cost that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the cost of land under development, construction costs and other related development costs common to the whole project including administrative overheads and borrowing costs.

Development properties on which development activities have commenced or where it can be demonstrated that the development activities can be completed within the normal operating cycle are classified as current assets.

Property development revenue is recognised in respect of all development units that have been sold. Revenue recognition commences when the sale of the development unit is effected, upon the commencement of development and construction activities and when the financial outcome can be reliably estimated. The attributable portion of property development costs is recognised as an expense in the period in which the related revenue is recognised. The amount of such revenue and expenses recognised is determined by reference to the stage of completion of development activity at the end of the reporting period. The stage of completion is measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that are probable of recovery.

Any expected loss on development project is recognised as an expense immediately, including costs to be incurred over the defect liability period.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

Where revenue recognised in profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under trade and other receivables (within current assets). Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as progress billings under payables (within current liabilities).

## Intangible Assets

### (a) Research and Development Expenditures

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

### (b) Subsequent Expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### (c) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation commences from the date that the asset is available for use and is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets at the following annual rates:

| | |
|---|---|
| Capitalised development costs | 2 -5 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

## Impairment of Non-financial Assets Excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

## Leases

### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

### (ii) Finance Lease - the Group as Lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicits in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance cost and the reductions of the outstanding liability. Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are recognised in the profit of loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment.

(iii) **Operating Lease - the Group as Lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

In the case of lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land and buildings elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight-line basis over the lease term.

Leasehold land recognised as prepaid land lease payments are amortised in equal instalments over their lease periods ranging from 31 years to 99 years.

## Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises cost of purchase plus the cost of bringing the inventories to their present location. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportion of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation by the end of the reporting period, and are discounted to present value where the effect is material.

Provisions for estimated expenses related to policy and product warranties are made at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of claims. Revision to the provisions for estimated policy and products warranties is made when necessary, base on changes in these factors. We actively study trends of claims and take action to improve product quality and minimise claims.

At the end of each reporting period, provisions are reviewed by the Directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

## Financial Instruments

Financial instruments 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.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

## Financial Assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of the impairment loss recognised is 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 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 is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### (i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

### (ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) **Allowance for doubtful debts**

Allowance for doubtful debts is made based on the evaluation of collectability and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(b) **Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on FRS 140: Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(c) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on annual basis. This requires an estimation of the value in use of the cash generating units ("CGU") to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of 31 December 2011 is RM224,325,000 (2010: RM11,435,000). Further details are disclosed in Note 25.

(d) **Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits 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. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) **Allowance for inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(f) **Impairment of property, plant and equipment and investment properties**

The Group carries out the impairment test based on a variety of estimation including the value-in-use of the property, plant and equipment and investment properties. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from these assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment and investment properties of the Group as at 31 December 2011 are disclosed in Notes 16 and 17 respectively.

(g) **Provision of warranties**

Reviews are made periodically by management on historical claims experience arising during the period of warranty. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the provision of warranties.

## 5. REVENUE

Revenue from continuing operations of the Group and the Company consist of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Sale of goods and services | 1,705,389 | 1,528,267 | - | - |
| Interest income from hire purchase receivables | 81 | 129 | - | - |
| Property and car rental income | 103 | 98 | - | - |
| Gross dividends from: | | | | |
| Subsidiaries | - | - | 16,269 | 12,773 |
| Associates | - | - | 43,697 | 32,364 |
| Management fee receivable from subsidiaries | - | - | 668 | 756 |
| | 1,705,573 | 1,528,494 | 60,634 | 45,893 |

## 6. COST OF SALES

Cost of sales of the Group represents cost of goods sold and services rendered during the financial year.

## 7. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Interest expense on borrowings | 2,129 | 755 | 543 | 100 |

## 8. INTEREST INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Interest income on: | | | | |
| Bank deposits | 2,826 | 2,680 | 1,526 | 1,043 |
| Amount owing by subsidiaries | - | - | 414 | 157 |
| | 2,826 | 2,680 | 1,940 | 1,200 |

## 9. PROFIT BEFORE TAX

Profit before tax is arrived at after the following charges/(credits):

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Employee benefits expense (Note 10) | 44,335 | 37,629 | 2,548 | 1,946 |
| Depreciation of: | | | | |
| Property, plant and equipment (Note 16) | 8,123 | 7,184 | 44 | 109 |
| Investment properties (Note 17) | 145 | 144 | - | - |
| Rental expenses | 2,476 | 1,246 | 142 | 177 |
| Directors' remuneration (Note 11) | 2,140 | 2,500 | 1,103 | 904 |
| Allowance for doubtful debts: | | | | |
| Trade receivables (Note 28) | 2,096 | 313 | - | - |
| Other receivables (Note 29) | - | 37 | - | 37 |
| Provision for service maintenance (Note 39) | 1,078 | 1,111 | - | - |
| Royalty expenses | 668 | 744 | - | - |
| Allowance for slow-moving inventories | 522 | 168 | - | - |
| Amortisation of prepaid land lease payments (Note 18) | 519 | 529 | - | - |
| Auditors' remuneration: | | | | |
| Current year | 327 | 301 | 35 | 35 |
| Under/(Over)provision in prior years | 1 | (1) | - | - |
| Provision for retirement gratuity (Note 36) | 240 | 240 | 240 | 240 |
| Property, plant and equipment written off (Note 16) | 42 | 10 | 2 | - |
| Rental income from land and buildings | (2,092) | (1,982) | - | - |
| Reversal of provision for warranty (Note 39) | (1,628) | - | - | - |
| Allowance for doubtful debts no longer required: | | | | |
| Trade receivables (Note 28) | (636) | - | - | - |
| Hire purchase receivables (Note 22) | (5) | (75) | - | - |
| Gain on disposal of: | | | | |
| Property, plant and equipment | (320) | (1,967) | - | - |
| Investment properties and prepaid land lease payments | - | (1,834) | - | - |
| Realised gain on foreign exchange | (21) | (49) | - | - |
| Provision for warranty (Note 39) | - | 843 | - | - |
| Write down of inventories | - | 533 | - | - |
| Reversal of provision for claims for compensation (Note 39) | - | (180) | - | - |
| Bad debts recovered | - | (18) | - | - |

## 10. EMPLOYEE BENEFITS EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Wages and salaries | 33,622 | 32,657 | 2,290 | 1,724 |
| **Pension costs:** | | | | |
| Defined contribution plans | 4,967 | 4,639 | 243 | 212 |
| Defined benefit plans (Note 36) | 534 | 495 | - | - |
| Social security costs | 501 | 448 | 7 | 6 |
| Other benefits | 4,711 | 3,691 | 8 | 4 |
| | 44,335 | 41,930 | 2,548 | 1,946 |

## 11. DIRECTORS' REMUNERATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Directors of the Company** | | | | |
| **Executive:** | | | | |
| Salaries and other emoluments | 600 | 560 | 564 | 524 |
| Bonus | 215 | 100 | 215 | 100 |
| | 815 | 660 | 779 | 624 |
| **Non-executive:** | | | | |
| Fees | 403 | 359 | 324 | 280 |
| | 1,218 | 1,019 | 1,103 | 904 |
| **Directors of subsidiaries** | | | | |
| **Executive:** | | | | |
| Salaries and other emoluments | 776 | 1,073 | - | - |
| **Non-executive:** | | | | |
| Fees | 146 | 152 | - | - |
| Other emoluments | - | 256 | - | - |
| | 146 | 408 | - | - |
| | 922 | 1,481 | - | - |
| | 2,140 | 2,500 | 1,103 | 904 |

The number of directors of the Company whose total remuneration during the financial year fall within the following bands is as follows:

| | Number of Directors | |
|---|---|---|
| | 2011 | 2010 |
| **Executive directors:** | | |
| RM650,001 - RM700,000 | - | 1 |
| RM800,001 - RM850,000 | 1 | - |
| **Non-executive directors:** | | |
| Below RM50,000 | 1 | 2 |
| RM50,001 - RM100,000 | 5 | 4 |

## 12. DISCONTINUED OPERATIONS

On 15 March 2010, the Company entered into a Share Sale Agreement with Datuk Dr. Wan Mohamed bin Wan Embong to dispose its entire equity interest of 73.32% in WSA Capital Corporation Sdn. Bhd. (together with its subsidiaries and jointly controlled entity) for a total cash consideration of RM11,100,000. The disposal was completed on 30 June 2010, on which date control of the said company passed to the acquirer. Consequently, a gain on disposal of RM1,122,000 and RM2,600,000 to the Group and the Company, respectively, was recognised in the statements of comprehensive income. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 19.

### Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the statements of comprehensive income are set out below.

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| **Profit for the year from discontinued operations** | | |
| Revenue | - | 45,726 |
| Cost of sales | - | (36,054) |
| Gross profit | - | 9,672 |
| Other income | - | 891 |
| Administrative and other expenses | - | (3,439) |
| Selling and marketing expenses | - | (634) |
| Finance costs | - | (536) |
| Profit before tax | - | 5,954 |
| Income tax expense | - | - |
| Profit for the year | - | 5,954 |
| **Profit attributable to:** | | |
| Owners of the Company | - | 4,366 |
| Non-controlling interests | - | 1,588 |
| | - | 5,954 |
| **Results from discontinued operations:** | | |
| Profit during the year | - | 4,366 |
| Loss on disposal of operations (Note 19) | - | (4,832) |
| Share of loss on disposal of operations | - | (466) |
| Non-controlling interests | - | 1,588 |
| | - | 1,122 |

The following amounts have been included in arriving at the profit before tax of the discontinued operations:

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Depreciation of property, plant and equipment | - | 1,474 |
| Amortisation of prepaid land lease payments | - | 13 |
| Rental expense | - | 332 |
| **Net foreign exchange gains:** | | |
| Realised | - | (165) |
| Unrealised | - | (51) |
| Interest expense | - | 536 |
| Employee benefits expense | - | 4,301 |
| **Cash flows from discontinued operations** | | |
| Net cash outflows from operating activities | - | (3,118) |
| Net cash inflows from investing activities | - | 2,735 |
| Net cash inflows from financing activities | - | 442 |
| Net cash inflows | - | 59 |

## 13. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Tax expense comprises:** | | | | |
| **Income tax expense:** | | | | |
| Current year | 13,059 | 13,541 | 3,818 | 3,140 |
| (Over)/Underprovision in prior years | (191) | (1,916) | 46 | - |
| | 12,868 | 11,625 | 3,864 | 3,140 |
| **Deferred tax (Note 23):** | | | | |
| Relating to origination and reversal of temporary differences | (112) | (48) | - | - |
| Underprovision in prior years | (236) | (548) | - | - |
| | (348) | (596) | - | - |
| | 12,520 | 11,029 | 3,864 | 3,140 |

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Profit before tax:** | | | | |
| Continuing operations | 150,591 | 172,402 | 50,548 | 45,906 |
| Discontinued operations (Note 12) | - | 5,954 | - | - |
| | 150,591 | 178,356 | 50,548 | 45,906 |
| Taxation at statutory tax rate of 25% | 37,648 | 44,589 | 12,637 | 11,477 |
| Tax effect on share of results of associates | (26,973) | (29,748) | - | - |
| Tax effects of: | | | | |
| Non-deductible expenses | 4,202 | 2,742 | 2,105 | 476 |
| Non-taxable income | (375) | (2,792) | (10,924) | (8,813) |
| Utilisation of reinvestment allowances | (175) | (380) | - | - |
| Realisation of deferred tax assets previously not recognised | (1,544) | (1,433) | - | - |
| Deferred tax assets not recognised | 164 | 515 | - | - |
| (Over)/Underprovision in prior years: | | | | |
| Current tax | (191) | (1,916) | 46 | - |
| Deferred tax | (236) | (548) | - | - |
| Income tax expense recognised in profit or loss | 12,520 | 11,029 | 3,864 | 3,140 |

## 14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Profit for the year attributable to owners of the Company | 121,237 | 142,136 |
| Earnings used in the calculations of basic earnings per share from continuing operations | 121,237 | 142,602 |
| Loss for the year from discontinued operations used in calculation of basic earnings per share from discontinued operations | - | (466) |
| Earnings used in the calculations of total basic earnings per share | 121,237 | 142,136 |
| | 2011 '000 | 2010 '000 |
| Weighted average number of ordinary shares in issue | 242,864 | 242,394 |
| | 2011 | 2010 |
| Basic EPS (sen): | | |
| From continuing operations | 49.9 | 58.8 |
| From discontinued operations | - | (0.2) |
| Total EPS | 49.9 | 58.6 |

(b) Diluted earnings per share

Fully diluted earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of share options granted to employees.

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Profit for the year attributable to owners of the Company | 121,237 | 142,136 |
| Earnings used in the calculation of total diluted earnings per share from continuing operations | 121,237 | 142,602 |
| Loss for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations | - | (466) |
| Earnings used in the calculation of total diluted earnings per share | 121,237 | 142,136 |
| | 2011 '000 | 2010 '000 |
| Weighted average number of ordinary shares in issue | 242,864 | 242,394 |
| Adjustment for assumed exercise of ESOS | 2,565 | 2,831 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 245,429 | 245,225 |
| | 2011 | 2010 |
| Diluted EPS (sen): | | |
| From continuing operations | 49.4 | 58.2 |
| From discontinued operations | - | (0.2) |
| Total diluted EPS | 49.4 | 58.0 |

## 15. DIVIDENDS

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Amount | | Net Dividends per Ordinary Share | |
| | 2011 RM'000 | 2010 RM'000 | 2011 Sen | 2010 Sen |
| In respect of the financial year ended 31 December 2009: | | | | |
| Second interim single tier dividend of 3% | - | 7,262 | - | 3.00 |
| In respect of the financial year ended 31 December 2010: | | | | |
| First interim single tier dividend of 5% | - | 12,124 | - | 5.00 |
| Second interim and special single tier dividend of 8% | 19,421 | - | 8.00 | - |
| In respect of the financial year ended 31 December 2011: | | | | |
| First interim single tier dividend of 6% | 14,573 | - | 6.00 | - |
| | 33,994 | 19,386 | 14.00 | 8.00 |

## 16. PROPERTY, PLANT AND EQUIPMENT

| The Group 2011 | Freehold Land RM'000 | Buildings RM'000 | Building under Construction RM'000 | Plant and Machinery RM'000 | Renovations and Leasehold Improvements RM'000 | Furniture, Fixtures, Fittings Equipment and Tools and Implement RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| At 1 January 2011 | 28,866 | 96,399 | 8,467 | 66,759 | 21,901 | 37,054 | 6,982 | 266,428 |
| Additions | - | 9,800 | 7,132 | 507 | 5,019 | 3,768 | 261 | 26,487 |
| Disposals | - | - | - | - | (2,886) | (2,624) | (3,215) | (8,725) |
| Write-offs | - | - | - | - | (53) | (116) | - | (169) |
| Effect of acquisition of subsidiaries (Note 19) | 22,181 | 26,152 | - | 49,712 | 6,366 | 44,378 | 2,380 | 151,169 |
| Transfer to property development costs (Note 26) | (2,599) | (7,861) | - | - | - | - | - | (10,460) |
| Reclassifications | - | - | (9,759) | (30) | 9,759 | 30 | - | - |
| At 31 December 2011 | 48,448 | 124,490 | 5,840 | 116,948 | 40,106 | 82,490 | 6,408 | 424,730 |
| **Representing:** | | | | | | | | |
| At cost | 48,448 | 124,490 | 5,840 | 116,948 | 40,106 | 82,490 | 6,408 | 424,730 |
| At valuation | - | - | - | - | - | - | - | - |
| | 48,448 | 124,490 | 5,840 | 116,948 | 40,106 | 82,490 | 6,408 | 424,730 |

*(Forward)*

| The Group 2011 | Freehold Land RM'000 | Buildings RM'000 | Building under Construction RM'000 | Plant and Machinery RM'000 | Renovations and Leasehold Improvements RM'000 | Furniture, Fixtures, Fittings Equipment and Tools and Implement RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2011 | - | 18,044 | - | 62,709 | 17,696 | 31,395 | 3,545 | 133,389 |
| Depreciation charge for the year | - | 1,679 | - | 959 | 2,577 | 1,987 | 921 | 8,123 |
| Disposals | - | - | - | - | (2,826) | (2,594) | (2,241) | (7,661) |
| Write-offs | - | - | - | - | (13) | (114) | - | (127) |
| Effect of acquisition of subsidiaries (Note 19) | - | 3,700 | - | 27,814 | 2,233 | 38,108 | 1,887 | 73,742 |
| Transfer to property development costs (Note 26) | - | (3,358) | - | - | - | - | - | (3,358) |
| At 31 December 2011 | - | 20,065 | - | 91,482 | 19,667 | 68,782 | 4,112 | 204,108 |
| **Net book value** | | | | | | | | |
| At 31 December 2011 | | | | | | | | |
| At cost | 48,448 | 104,425 | 5,840 | 25,466 | 20,439 | 13,708 | 2,296 | 220,622 |
| At valuation | - | - | - | - | - | - | - | - |
| | 48,448 | 104,425 | 5,840 | 25,466 | 20,439 | 13,708 | 2,296 | 220,622 |

| The Group 2010 | Freehold Land RM'000 | Buildings RM'000 | Building under construction RM'000 | Plant and Machinery RM'000 | Renovations and Leasehold Improvements RM'000 | Furniture, Fixtures, Fittings Equipment and Tools and Implement RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| At 1 January 2010 | 28,866 | 98,723 | - | 86,126 | 20,455 | 41,710 | 6,551 | 282,431 |
| Additions | 9,390 | 25 | 8,467 | 2,561 | 3,511 | 2,713 | 1,926 | 28,593 |
| Disposals | - | (915) | - | - | (53) | (2) | (901) | (1,871) |
| Write-offs | - | - | - | - | - | (3,293) | - | (3,293) |
| Effect of discontinued operations (Note 19) | (9,390) | (1,434) | - | (21,928) | (2,012) | (4,074) | (594) | (39,432) |
| At 31 December 2010 | 28,866 | 96,399 | 8,467 | 66,759 | 21,901 | 37,054 | 6,982 | 266,428 |
| **Representing:** | | | | | | | | |
| At cost | 26,267 | 88,538 | 8,467 | 66,759 | 21,901 | 37,054 | 6,982 | 255,968 |
| At valuation | 2,599 | 7,861 | - | - | - | - | - | 10,460 |
| | 28,866 | 96,399 | 8,467 | 66,759 | 21,901 | 37,054 | 6,982 | 266,428 |

| The Group 2010 | Freehold Land RM'000 | Buildings RM'000 | Building under Construction RM'000 | Plant and Machinery RM'000 | Renovations and Leasehold Improvements RM'000 | Furniture, Fixtures, Fittings Equipment and Tools and Implement RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2010 | - | 17,427 | - | 73,653 | 17,015 | 35,040 | 3,313 | 146,448 |
| Depreciation charge for the year | 284 | 1,580 | - | 1,835 | 1,940 | 1,918 | 1,101 | 8,658 |
| Disposals | - | (431) | - | - | (53) | (2) | (482) | (968) |
| Write-offs | - | - | - | - | - | (3,283) | - | (3,283) |
| Effect of discontinued operations (Note 19) | (284) | (532) | - | (12,779) | (1,206) | (2,278) | (387) | (17,466) |
| At 31 December 2010 | - | 18,044 | - | 62,709 | 17,696 | 31,395 | 3,545 | 133,389 |
| **Net book value** | | | | | | | | |
| At 31 December 2010 | | | | | | | | |
| At cost | 26,267 | 73,753 | 8,467 | 4,050 | 4,205 | 5,659 | 3,437 | 125,838 |
| At valuation | 2,599 | 4,602 | - | - | - | - | - | 7,201 |
| | 28,866 | 78,355 | 8,467 | 4,050 | 4,205 | 5,659 | 3,437 | 133,039 |

| The Company | Renovations RM'000 | Furniture, Fittings and Equipment RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2011** | | | | |
| **Cost** | | | | |
| At 1 January 2011 | 257 | 280 | 308 | 845 |
| Addition | - | 6 | - | 6 |
| Disposal | - | - | (308) | (308) |
| Write-off | - | (116) | - | (116) |
| At 31 December 2011 | 257 | 170 | - | 427 |
| **Accumulated depreciation** | | | | |
| At 1 January 2011 | 67 | 245 | 159 | 471 |
| Depreciation charge for the year | 26 | 18 | - | 44 |
| Disposals | - | - | (159) | (159) |
| Write-offs | - | (114) | - | (114) |
| At 31 December 2011 | 93 | 149 | - | 242 |
| **Net book value** | 164 | 21 | - | 185 |
| **2010** | | | | |
| **Cost** | | | | |
| At 1 January 2010 | 257 | 272 | 308 | 837 |
| Additions | - | 8 | - | 8 |
| At 31 December 2010 | 257 | 280 | 308 | 845 |
| **Accumulated depreciation** | | | | |
| At 1 January 2010 | 41 | 223 | 98 | 362 |
| Depreciation charge for the year | 26 | 22 | 61 | 109 |
| At 31 December 2010 | 67 | 245 | 159 | 471 |
| **Net book value** | 190 | 35 | 149 | 374 |

(a) The following properties of the Group stated at directors' valuation are based on independent professional valuation of land and buildings of the Group at their market values at the date of valuation:

| Year of Valuation | Description of Property | Valuation RM'000 |
|---|---|---|
| 1983 | Freehold land and buildings | 10,460 |

These land and buildings have continued to be stated on the basis of their 1983 valuation as allowed by the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of International Accounting Standard 16 (Revised), Property, Plant and Equipment.

At 31 December 2011, had the revalued freehold land and buildings been carried at historical cost, the net book value would have been as follows:

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Freehold land and buildings | - | 1,040 |

The said freehold and buildings of the Group have been transferred to property development costs during the financial year.

(b) The net book values of property, plant and equipment charged for borrowings as disclosed in Note 35 is as follows:

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Freehold land | 16,749 | 16,749 |
| Freehold building | 20,717 | 2,732 |
| | 37,466 | 19,481 |

(c) Included in additions to building under construction of the Group is interest expense capitalised amounting to RM748,000 (2010: RM666,000).

## 17. INVESTMENT PROPERTIES

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Cost** | | |
| At 1 January | 14,241 | 22,954 |
| Disposal | - | (8,713) |
| Effect of acquisition of subsidiaries (Note 19) | 3,343 | - |
| At 31 December | 17,584 | 14,241 |
| **Accumulated Depreciation** | | |
| At 1 January | 1,538 | 1,394 |
| Depreciation charge for the year | 145 | 144 |
| Effect of acquisition of subsidiaries (Note 19) | 841 | - |
| At 31 December | 2,524 | 1,538 |
| **Carrying Amount** | 15,060 | 12,703 |
| **Representing:** | | |
| Freehold land | 2,284 | 2,284 |
| Freehold buildings | 4,053 | 1,682 |
| Leasehold land and building | 8,723 | 8,737 |
| | 15,060 | 12,703 |

Rental income earned by the Group from the investment properties, all of which are leased out under operating leases, amounted to RM1,506,000 (2010: RM1,405,000). Direct operating expenses incurred in respect of the investment properties amounted to RM149,300 (2010: RM210,300).

Fair value of the investment properties of the Group as at 31 December 2011 is estimated at RM18,561,000 (2010: RM13,079,000) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

## 18. PREPAID LAND LEASE PAYMENTS

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| At 1 January | 39,596 | 42,713 |
| Disposal | - | (308) |
| Effect of acquisition of subsidiaries (Note 19) | 497 | - |
| Effect of discontinued operations (Note 19) | - | (2,267) |
| Amortisation for the year (Note 9) | (519) | (542) |
| At 31 December | 39,574 | 39,596 |
| **Analysed as:** | | |
| Long term leasehold land | 38,065 | 38,550 |
| Short term leasehold land | 1,509 | 1,046 |
| | 39,574 | 39,596 |

As at 31 December 2011, the unexpired lease periods are as follows:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Within 1 to 30 years | 484 | - |
| Within 31 to 60 years | 1,025 | 1,046 |
| Within 61 to 99 years | 38,065 | 38,550 |
| | 39,574 | 39,596 |

## 19. INVESTMENT IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **At cost:** | | |
| Unquoted shares | 106,049 | 106,049 |
| Quoted shares | 381,711 | - |
| | 487,760 | 106,049 |
| Less: Accumulated impairment losses | (1,917) | (1,917) |
| Net | 485,843 | 104,132 |
| Market value of quoted shares | 386,703 | - |

Details of the subsidiaries are disclosed in Note 50.

The Company's investment in Hirotako Holdings Berhad ("HHB") with carrying value amounting to RM381,711,000 (2010: RMNil) has been pledged as a collateral to a local bank for term loan and other credit facilities granted to the Company as disclosed in Note 35.

### Acquisition of subsidiaries

(a) The Group completed the acquisition of the entire equity interests and 70.01% equity interests in Lion Motor Sdn. Bhd. ("LMSB") and Kinabalu Motor Assembly Sendiran Berhad ("KMASB") on 28 February 2011 and 3 June 2011 respectively, as disclosed in Note 46(b). Consequently thereupon, LMSB and KMASB became subsidiaries of the Group.

The said acquisition will provide the opportunity for the Group to expand its automotive business in marketing and distribution of motor vehicles, spare parts and providing ancillary services.

(b) The Group completed the acquisition of 92.12% equity interests in HHB on 20 December 2011, as disclosed in Note 46(e). Consequently thereupon, HHB and its subsidiaries became subsidiaries of the Group.

The Group aspires to be a complete automotive group and is continually looking for opportunities to expand its automotive manufacturing division. The said acquisition is in line with the Group's business expansion plan and is undertaken with the objective to enable the Group to expand its automotive manufacturing division.

The said acquisition enables the Group to strengthen its automotive manufacturing division in Malaysia and is expected to enable the Group to fast track its business expansion by acquiring an existing matured business rather than via organic growth. HHB is principally involved in the manufacture and sale of automative components which includes, amongst others, airbag modules, seat belts, steering wheels, noise and heat reduction materials as well as insulator parts. HHB's business will complement the existing automotive manufacturing division of the Group and its subsidiaries.

The said acquisition is also expected to enable the sharing of common resources between the Group and HHB to have better co-ordination of business planning and resources deployment. As a result, it may give rise to potential operational cost efficiency and cost savings. This in turn is expected to contribute positively to the Group's financial performance in the future.

The effects of the abovementioned acquisitions on the financial results of the Group from the dates of acquisition to 31 December 2011 are as follows:

| | The Group |
|---|---|
| | 2011<br>RM'000 |
| Revenue | 6,645 |
| Cost of sales | (4,608) |
| Gross profit | 2,037 |
| Other income | 617 |
| Administrative and other expenses | (3,144) |
| Selling and marketing expenses | (282) |
| Finance costs | (2) |
| **Loss before tax** | (774) |
| Income tax credit | 15 |
| **Loss for the year** | (759) |
| **Other comprehensive income for the year** | - |
| **Total comprehensive loss for the year** | (759) |

Had the abovementioned acquisitions been effected at 1 January 2011, the revenue and the profit for the year of the Group would have been RM1,993,686,000 and RM184,112,000 respectively. The directors of the Group consider these 'pro-forma' numbers represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The effects of these acquisitions on the financial position of the Group as of 31 December 2011 are as follows:

| | The Group |
|---|---|
| | 2011<br>RM'000 |
| Property, plant and equipment | 77,839 |
| Investment properties | 2,502 |
| Prepaid land lease payments | 484 |
| Investment in associates | 67,113 |
| Other investments | 6,614 |
| Deferred tax assets | 2,295 |
| Intangible assets | 2,321 |
| Goodwill on consolidation | 2,379 |
| Inventories | 25,267 |
| Trade and other receivables | 63,943 |
| Tax recoverable | 2,131 |
| Cash and bank balances | 86,339 |
| Deferred tax liabilities | (2,410) |
| Non-cumulative redeemable preference shares | (928) |
| Provision for liabilities | (6,868) |
| Trade and other payables | (56,574) |
| Amount owing to immediate holding company | (16,000) |
| Amount owing to intermediate holding company | (428) |
| Amount owing to related companies | (261) |
| Tax liabilities | (2,529) |
| Net assets | 253,229 |

The carrying amounts of identifiable assets acquired and liabilities assumed from the acquisition of the subsidiaries as of the dates of acquisition are as follows:

| | The Group 2011 RM'000 |
|---|---|
| Cash considerations paid to acquire subsidiaries | 409,935 |
| Amount of non-controlling interests | 54,564 |
| | 464,499 |
| Property, plant and equipment (Note 16) | 77,427 |
| Investment properties (Note 17) | 2,502 |
| Prepaid land lease payments (Note 18) | 497 |
| Investment in associates | 67,113 |
| Other investments | 6,614 |
| Deferred tax assets (Note 23) | 2,295 |
| Intangible assets (Note 24) | 2,321 |
| Goodwill on consolidation (Note 25) | 2,379 |
| Inventories | 26,296 |
| Trade and other receivables | 64,632 |
| Tax recoverable | 2,131 |
| Cash and bank balances | 85,920 |
| Deferred tax liabilities (Note 23) | (2,425) |
| Non-cumulative redeemable preference shares (Note 38) | (928) |
| Provision for liabilities (Note 39) | (6,868) |
| Trade and other payables | (57,368) |
| Amount owing to immediate holding company | (16,000) |
| Hire purchase payables | (21) |
| Tax liabilities | (2,529) |
| | 253,988 |
| Provisional goodwill arising from acquisition (Note 25) | 210,511 |
| **Net cash outflow from acquisition:** | |
| Cash and cash equivalents of subsidiaries acquired | 85,920 |
| Total purchase consideration | (409,935) |
| Less: Amount payable in compulsory acquisition (Note 41) | 28,224 |
| | (381,711) |
| Cash outflow on acquisition, net of cash acquired | (295,791) |

The Company is currently undergoing an exercise to determine the fair values to be assigned to the above subsidiaries' identifiable assets, liabilities and contingent liabilities (if any) pursuant to the requirements on FRS 3: Business Combinations. Upon finalisation of this exercise, the resulting goodwill on consolidation (as shown above) will be adjusted accordingly.

The initial accounting for the above business combination is incomplete at the end of the reporting period and subject to the finalisation by management and its professional advisor.

### Disposal of subsidiaries

On 15 March 2010, the Company entered into a Share Sale Agreement with Datuk Dr. Wan Mohamed Bin Wan Embong to dispose its entire equity interest of 73.32% in WSA Capital Corporation Sdn. Bhd. (together with its subsidiaries and jointly controlled entity) for a total consideration of RM11,100,000. The said disposal was completed on 30 June 2010 and has given rise to a gain of RM1,122,000 and RM2,600,000 to the Group and the Company respectively.

### Analysis of asset and liabilities over which control was lost:

| | The Group<br>2010<br>RM'000 |
|---|---|
| Property, plant and equipment (Note 16) | 21,966 |
| Prepaid land lease payments (Note 18) | 2,267 |
| Jointly controlled entity | 54 |
| Goodwill on consolidation (Note 25) | 1,829 |
| Inventories | 10,077 |
| Trade receivables | 13,408 |
| Other receivables and prepaid expenses | 3,583 |
| Cash and cash equivalents | 1,619 |
| Short term borrowings | (9,642) |
| Trade payables | (8,282) |
| Other payables and accrued expenses | (805) |
| Amount owing to holding company | (10) |
| Tax liabilities | (217) |
| Long-term borrowings | (14,903) |
| Provision for retirements benefits (Note 36) | (1,030) |
| Deferred tax liabilities (Note 23) | (984) |
| Net assets disposed of | 18,930 |

## Gain on disposal of subsidiary

| | The Group |
|---|---|
| | 2010<br>RM'000 |
| Consideration received | 11,100 |
| Net assets disposed of | (18,930) |
| Goodwill on consolidation (Note 25) | (1,535) |
| Non-controlling interests | 4,533 |
| Loss on disposal of operations (Note 12) | (4,832) |

The loss on disposal is included in the results from discontinued operations in the statements of comprehensive income is disclosed in Note 12.

## Net cash inflow on disposal of subsidiary

| | The Group |
|---|---|
| | 2010<br>RM'000 |
| Consideration received in cash and cash equivalents | 11,100 |
| Less: cash and cash equivalents disposed of | (1,619) |
| Cash inflow on disposal, net of cash disposed | 9,481 |

## 20. INVESTMENT IN ASSOCIATES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **In Malaysia:** | | | | |
| Unquoted shares, at cost | 248,102 | 180,989 | 173,989 | 173,989 |
| Share of post-acquisition reserves | 494,127 | 438,794 | - | - |
| | 742,229 | 619,783 | 173,989 | 173,989 |
| **Represented by:** | | | | |
| Share of net assets | 704,534 | 613,760 | | |
| Goodwill on acquisition | 37,695 | 6,023 | | |
| | 742,229 | 619,783 | | |

Details of the associates are disclosed in Note 51.

The summarised financial information of the associates are as follows:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | 2,018,750 | 1,626,347 |
| Current assets | 2,126,478 | 1,845,001 |
| Total assets | 4,145,228 | 3,471,348 |
| Non-current liabilities | 3,318 | 614 |
| Current liabilities | 1,210,276 | 1,089,825 |
| Total liabilities | 1,213,594 | 1,090,439 |
| Net assets | 2,931,634 | 2,380,909 |
| Group's share of net assets | 704,534 | 613,760 |
| **Results** | | |
| Revenue | 8,799,389 | 9,472,427 |
| Profit for the period | 424,492 | 457,561 |
| Group's share of profit of associates | 107,892 | 118,990 |

The financial year ends of the associates are coterminous with the financial year end of the Group, except for Hino Motors (Malaysia) Sdn. Bhd. ("Hino") which has a financial year end of 31 March. For the purpose of applying the equity method of accounting, the share of results of associates is arrived at based on the audited financial statements except for the results of Hino which is arrived at based on management financial statements.

## 21. OTHER INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Available-for-sale investments** | | | | |
| At fair value: | | | | |
| Quoted shares | 6,614 | - | - | - |
| **Held-to-maturity investments** | | | | |
| At amortised cost: | | | | |
| Structured income fund (a) | 1,000 | 1,000 | - | - |
| Unquoted bonds, at cost (b) | 2,360 | 2,360 | 2,360 | 2,360 |
| | 3,360 | 3,360 | 2,360 | 2,360 |
| Less: Accumulated impairment losses | (2,360) | (2,360) | (2,360) | (2,360) |
| | 1,000 | 1,000 | - | - |
| Total | 7,614 | 1,000 | - | - |
| Market value of quoted shares | 6,614 | - | - | - |

(a) The structured income fund is a close-ended fund managed by a local financial institution which provides coupon rates of 3.30% per annum for the first five years and 5.3% per annum thereafter until its maturity of 10 years.

(b) The unquoted bonds matured on 28 December 2007. Full provision for impairment loss has been made as the directors are of the opinion that the carrying amount is unlikely to be recovered.

## 22. HIRE PURCHASE RECEIVABLES

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Minimum hire purchase receivables: | | |
| Not later than 1 year | 1,135 | 1,139 |
| Later than 1 year and not later than 2 years | - | 36 |
| | 1,135 | 1,175 |
| Less: Future finance charges | (1) | (1) |
| Present value of hire purchase receivables | 1,134 | 1,174 |
| Less: Allowance for doubtful debts | (1,113) | (1,118) |
| | 21 | 56 |
| Analysed as: | | |
| Due within 12 months (Note 28) | 21 | 56 |
| Due after 12 months | - | - |
| | 21 | 56 |

The effective interest rate at the end of the reporting period is 9.2% (2010: 9.2%) per annum.

The hire purchase receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Interest is charged on hire purchase receivables on the overdue outstanding balance. The Group has recognised an allowance for doubtful debts of 100% against all hire purchase receivables over 6 months because historical experience has been that hire purchase receivables that are past due beyond 6 months are not recoverable.

Apart from the hire purchase receivables of RM1,113,000 (2010: RM1,118,000) which has been fully provided by the Company, the remaining balance of RM21,000 (2010: RM56,000) are not past due at the end of the reporting period.

The Group has not accepted any new customer since the Group ceased the provision of hire purchase financing in prior years. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers contracted in prior years.

Movement in allowance of doubtful debts

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| At beginning of year | 1,118 | 1,193 |
| No longer required (Note 9) | (5) | (75) |
| At end of year | 1,113 | 1,118 |

## 23. DEFERRED TAX ASSETS/(LIABILITIES)

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| At 1 January | (136) | (1,716) |
| Transfer from/(to) profit or loss (Note 13): | | |
| Property, plant and equipment | (630) | 702 |
| Provisions | 978 | (106) |
| | 348 | 596 |
| Effect of discontinued operations (Note 19) | - | 984 |
| Effect of acquisition of subsidiaries (Note 19) | (130) | - |
| At 31 December | 82 | (136) |

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for the statements of financial position purposes:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Deferred tax assets | 3,702 | - |
| Deferred tax liabilities | (3,620) | (136) |
| | 82 | (136) |

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Deferred tax assets** | | |
| Temporary differences arising from provisions | 7,391 | 1,010 |
| Offsetting | (3,689) | (1,010) |
| Deferred tax assets (after offsetting) | 3,702 | - |
| **Deferred tax liabilities** | | |
| Temporary differences arising from: | | |
| Property, plant and equipment | (7,159) | (1,146) |
| Others | (150) | - |
| | (7,309) | (1,146) |
| Offsetting | 3,689 | 1,010 |
| Deferred tax liabilities (after offsetting) | (3,620) | (136) |

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2011, the estimated amount of deductible temporary differences, unused tax losses, unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of realisation, is as follows:

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Temporary differences arising from: | | |
| Unused tax losses and unabsorbed capital allowances | 94,158 | 21,350 |
| Others | 1,548 | (504) |
| | 95,706 | 20,846 |

Deductible temporary differences, unused tax losses and unabsorbed capital allowances of the Group totalling RM80,382,000 in 2011 arose from the acquisition of subsidiaries during the financial year.

The unused tax losses and unabsorbed capital allowances, subject to the agreement by the tax authorities, are available for offset against future chargeable income.

## 24. INTANGIBLE ASSETS

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Development costs** | | |
| **Cost:** | | |
| At 1 January | - | - |
| Effect of acquisition of subsidiaries (Note 19) | 29,341 | - |
| At 31 December | 29,341 | - |
| **Accumulated amortisation:** | | |
| At 1 January | - | - |
| Effect of acquisition of subsidiaries (Note 19) | 27,020 | - |
| At 31 December | 27,020 | - |
| **Net book value** | 2,321 | - |

## 25. GOODWILL ON CONSOLIDATION

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Cost: | | |
| At 1 January | 11,435 | 14,799 |
| Effect of acquisition of subsidiaries (Note 19) | 212,890 | - |
| Derecognised on disposal of subsidiary (Note 19) | - | (3,364) |
| At 31 December | 224,325 | 11,435 |

## Impairment Test for Goodwill

Goodwill has been allocated to the Group's cash generating units ("CGUs") identified according to the particular business segment as follows:

| | | The Group | | |
|---|---|---|---|---|
| | | 2011 RM'000 | 2010 RM'000 | DISCOUNT RATE |
| Manufacturing of seat belts, car airbag modules and steering wheels | (a) | 210,841 | - | 5.0% |
| Manufacturing of automotive components | (b) | 10,767 | 10,767 | 5.0% |
| Trading of motor vehicles, spare parts and other related activities | (b) | 2,717 | 668 | 5.0% |
| | | 224,325 | 11,435 | |

(a) The recoverable amount of CGU is determined based on value in use calculations applying a discounted cash flow model based on financial budgets approved by management covering a ten-year period. Cash flows beyond the ten-year period are projected based on the assumptions that the 10th year operating cash flow will be generated by the respective CGUs based on an estimated growth rate of 5.0%. Discount rate used is based on the pre-tax weighted average cost of capital.

(b) The recoverable amount of CGU is determined based on value in use calculations applying a discounted cash flow model based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are projected based on the assumptions that the 5th year operating cash flow will be generated by the respective CGUs based on an estimated growth rate of 5%. Discount rate used is based on the pre-tax weighted average cost of capital.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying values of the goodwill to materially exceed their recoverable amounts.

As disclosed in Note 19, the Company is currently undergoing an exercise to determine the fair values to be assigned to the newly acquired subsidiaries' identifiable assets, liabilities and contingent liabilities (if any) pursuant to the requirement on FRS 3: Business Combinations. Upon finalisation of this exercise, the resulting goodwill on consolidation will be adjusted accordingly.

## 26. PROPERTY DEVELOPMENT COSTS

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| At 1 January | - | - |
| Transfer from prepaid expenses | 3,898 | - |
| Transfer from property, plant and equipment (Note 16) | 7,102 | - |
| Development costs incurred during the financial year | 10,205 | - |
| At 31 December | 21,205 | - |
| Included in the property development costs are as follows: | | |
| Land costs | 7,102 | - |
| Development costs | 14,103 | - |
| | 21,205 | - |

## 27. INVENTORIES

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| At cost: | | |
| Completed vehicles | 209,011 | 167,312 |
| Raw materials | 25,865 | 12,071 |
| Goods-in-transit | 451 | 179 |
| Work in progress | 3,140 | 1,962 |
| Parts and consumables | 17,299 | 16,287 |
| Finished goods | 5,816 | 629 |
| Accessories and merchandise | 105 | 592 |
| | 261,687 | 199,032 |

Costs of inventories recognised as expenses of the Group amounting to RM1,552,364,000 (2010: RM1,328,256,000).

## 28. TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Trade receivables | 167,390 | 96,500 |
| Hire purchase receivables (Note 22) | 21 | 56 |
| | 167,411 | 96,556 |
| Less: Allowance for doubtful debts | (3,439) | (1,979) |
| | 163,972 | 94,577 |

Trade receivables disclosed above are classified as loans and receivables and therefore measured at amortised cost.

The normal credit period on sales of goods ranges from 14 days to 120 days (2010: 14 days to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Allowance for doubtful debts is recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Included in trade receivables of the Group is an amount of RM17,307,000 (2010: RM2,173,000) due from subsidiaries of Perusahaan Otomobil Kedua Sdn. Bhd., an associate of the Group.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, except for amounts due from subsidiaries of Perusahaan Otomobil Kedua Sdn. Bhd., as disclosed above. There are no other customers who represent more than 10% of the total balance of trade receivables at the end of the reporting period.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the financial year but against which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of trade receivables

| | The Group 2011 RM'000 | The Group 2010 RM'000 |
|---|---|---|
| Current | 132,003 | 45,616 |
| 30-60 days | 13,017 | 38,817 |
| 60-90 days | 4,669 | 6,465 |
| 90-120 days | 6,022 | 2,213 |
| More than 120 days | 11,679 | 3,389 |
| Total | 167,390 | 96,500 |

Movement in allowance for doubtful debts

| | The Group 2011 RM'000 | The Group 2010 RM'000 |
|---|---|---|
| At 1 January | 1,979 | 3,415 |
| Amount recognised | 2,096 | 313 |
| Effect of discontinued operations | - | (1,749) |
| No longer required | (636) | - |
| At 31 December | 3,439 | 1,979 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Analysis of currency exposure profile of trade receivables is as follows:

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Ringgit Malaysia | 166,285 | 96,500 |
| United States Dollar | 1,105 | - |
| | 167,390 | 96,500 |

## 29. OTHER RECEIVABLES AND PREPAID EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Deposits and advances paid | 16,420 | 4,281 | 45 | 45 |
| Incentive due from suppliers | 17,210 | 5,971 | - | - |
| Prepayments | 12,432 | 21,163 | 5 | 78 |
| Sundry receivables | 5,651 | 9,196 | 57 | 37 |
| | 51,713 | 40,611 | 107 | 160 |
| Less: Allowance for doubtful debts | (37) | (37) | (37) | (37) |
| | 51,676 | 40,574 | 70 | 123 |

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Included in incentive due from suppliers is an amount of RM11,243,000 (2010: RM5,971,000) due from Perusahaan Otomobil Kedua Sdn. Bhd., an associate of the Group.

Included in prepayments is an amount of advance payment of RM9,332,000 (2010: RM15,990,000 for the purchase of vehicles inventories.

Movement in allowance for doubtful debts

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| At 1 January | 37 | - | 37 | - |
| Amount recognised | - | 37 | - | 37 |
| At 31 December | 37 | 37 | 37 | 37 |

## 30. AMOUNT OWING BY SUBSIDIARIES

Analysis of amount owing by subsidiaries is as follows:

| | The Company | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Interest free | 78,972 | 52,470 |
| Bear interest at 8% per annum | 5,375 | 5,124 |
| | 84,347 | 57,594 |

The amount owing by subsidiaries, which arose from non-trade transactions, are unsecured and have no fixed terms of repayment.

## 31. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Cash on hand and at banks | 91,388 | 58,738 | 3,816 | 2,950 |
| Deposits with licensed banks | 161,646 | 124,080 | 30,149 | 81,562 |
| Cash and bank balances | 253,034 | 182,818 | 33,965 | 84,512 |
| Less: Bank overdrafts (Note 35) | (832) | (1,430) | - | - |
| Less: Fixed deposits pledged with licensed banks (Note 35) | (27,966) | (12) | (27,954) | - |
| | 224,236 | 181,376 | 6,011 | 84,512 |

The effective interest rates of deposits with licensed banks of the Group and of the Company at the end of the reporting period range from 1.85% to 2.81% (2010: 1.90% to 3.40%) per annum.

The average maturities of deposits with licensed banks of the Group and of the Company at the end of the reporting period range from 5 days to 150 days (2010: 7 days to 150 days).

## 32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Net carrying amount upon classification as held for sale: | | |
| Long term leasehold land | 6,103 | 6,103 |

This represents a piece of long term leasehold land in Port Klang, Selangor Darul Ehsan, which had been previously revalued by an independent professional valuer based on open market value.

A subsidiary entered into a conditional sale and purchase agreement with a third party to dispose of the abovementioned land. The said third party paid a deposit amounting to RM749,232 and created a caveat on the said leasehold land. However, the purchaser failed to meet certain terms and conditions set out in the conditional sale and purchase agreement. As such, the subsidiary has notified the purchaser on the forfeiture of the deposit received. The purchaser subsequently took legal action against the subsidiary to recover the deposit paid. On 14 February 2011, the purchaser received a court order to remove the caveat placed on the said leasehold land.

On 15 September 2011, the subsidiary entered into a new conditional sale and purchase agreement with a third party to dispose the said piece of long term leasehold land for a total cash consideration of RM11,151,360 and the subsidiary received a deposit amounting to RM1,115,135. The said disposal is expected to be completed within one year from the date of the sale and purchase agreement.

## 33. SHARE CAPITAL

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| **Authorised:** | | | | |
| At 1 January/31 December | 500,000 | 500,000 | 500,000 | 500,000 |
| **Issued and fully paid:** | | | | |
| At 1 January | 242,677 | 242,073 | 242,677 | 242,073 |
| Exercise of ESOS | 266 | 604 | 266 | 604 |
| At 31 December | 242,943 | 242,677 | 242,943 | 242,677 |

(a) During the current financial year, the issued and paid-up ordinary share capital of the Company was increased from RM242,676,667 to RM242,942,667 by the issuance of 121,000 and 145,000 new ordinary shares of RM1.00 each at an issue price of RM2.54 and RM2.43 per ordinary share respectively, for cash pursuant to the exercise of options under the Company's Employees Share Option Scheme ("ESOS").

The resulting share premium of RM393,690 arising from the issue of shares had been credited to the share premium account.

The new ordinary shares issued during the current financial year rank pari passu in all respects with the then existing ordinary shares of the Company.

(b) The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August 2002. The ESOS was implemented on 2 September 2002.

The main features of the ESOS are as follows:

(i) The ESOS shall be in force for a period of ten years from the date of the receipt of the last requisite approvals.

(ii) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

(iv) The option price for each share shall be based on the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer subject to a discount of not more than 10%, or the par value of the shares of the Company of RM1, whichever is the higher.

(v) No option shall be granted for less than 1,000 shares nor more than 23,166,667 shares to any eligible employee.

(vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of ten years from the date of the receipt of the last of the requisite approvals.

(vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The movements in the number of share options during the financial year are as follows:

| | Exercise Price RM | Number of Share Options At 1 January '000 | Granted '000 | Exercised '000 | At 31 December 2011 '000 |
|---|---|---|---|---|---|
| **Grant date** | | | | | |
| September 2002 | 2.54 | 1,617 | - | (121) | 1,496 |
| October 2005 | 2.43 | 1,214 | - | (145) | 1,069 |
| | | 2,831 | - | (266) | 2,565 |

| | Exercise Price RM | Number of Share Options At 1 January 2010 '000 | Granted '000 | Exercised '000 | At 31 December 2010 |
|---|---|---|---|---|---|
| **Grant date** | | | | | |
| September 2002 | 2.54 | 1,895 | - | (278) | 1,617 |
| October 2005 | 2.43 | 1,540 | - | (326) | 1,214 |
| | | 3,435 | - | (604) | 2,831 |

Details of share options exercised in current year and the fair value, at exercise date, of ordinary shares issued are as follows:

| Period Exercised | Exercise Price RM | Fair Value of Ordinary Shares RM | Number of Share Options '000 | Considerations Received RM'000 |
|---|---|---|---|---|
| **2011** | | | | |
| January to December 2011 | 2.54 | 3.11 | 121 | 307 |
| January to December 2011 | 2.43 | 3.11 | 145 | 353 |
| | | | | 660 |
| Less: Par value of ordinary shares | | | | (266) |
| Share premium | | | | 394 |

## 34. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Non-distributable:** | | | | |
| Share premium | 31,827 | 31,433 | 31,827 | 31,433 |
| Revaluation reserve | 443 | 443 | - | - |
| **Distributable:** | | | | |
| Retained earnings | 832,659 | 743,669 | 158,379 | 145,689 |
| | 864,929 | 775,545 | 190,206 | 177,122 |

### (a) Share Premium

Share premium arose from the issuance of ordinary shares at a premium.

### (b) Revaluation Reserve

Revaluation reserve arose from fair value adjustments relating to property, plant and equipment of an associate.

### (c) Retained Earnings

The Company has elected to switch to the single tier income tax system. Accordingly, the retained earnings of the Company is available for the distribution of single tier dividend.

# 35. BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Current** | | | | |
| **- at amortised cost** | | | | |
| Secured: | | | | |
| Term loans | 42,273 | 1,953 | 40,222 | - |
| Transaction costs (net of annual amortisation) | (1,157) | - | (1,157) | - |
| | 41,116 | 1,953 | 39,065 | - |
| Bankers' acceptances | 43,353 | 13,016 | - | - |
| Revolving credits | 10,000 | - | - | - |
| Bank overdrafts (Note 31) | 832 | 1,430 | - | - |
| Trust receipts | - | 1,084 | - | - |
| | 95,301 | 17,483 | 39,065 | - |
| **Non-current** | | | | |
| **- at amortised cost** | | | | |
| Secured: | | | | |
| Term loans | 337,475 | 21,199 | 303,791 | - |
| Transaction costs (net of annual amortisation) | (4,630) | - | (4,630) | - |
| | 332,845 | 21,199 | 299,161 | - |
| **Total borrowings** | | | | |
| Term loans | 379,748 | 23,152 | 344,013 | - |
| Transaction costs (net of annual amortisation) | (5,787) | - | (5,787) | - |
| Net | 373,961 | 23,152 | 338,226 | - |
| Bankers' acceptances | 43,353 | 13,016 | - | - |
| Revolving credits | 10,000 | - | - | - |
| Bank overdrafts | 832 | 1,430 | - | - |
| Trust receipts | - | 1,084 | - | - |
| | 428,146 | 38,682 | 338,226 | - |
| **Borrowings are repayable as follows:** | | | | |
| Current | 96,458 | 17,483 | 40,222 | - |
| Non-current: | | | | |
| More than 1 year and less than 2 years | 82,531 | 2,173 | 80,444 | - |
| More than 2 years and less than 5 years | 229,798 | 5,308 | 223,347 | - |
| More than 5 years | 25,146 | 13,718 | - | - |
| | 433,933 | 38,682 | 344,013 | - |

(a) The secured bank borrowings are secured by the following:

(i) first legal charge on freehold land and building of certain subsidiaries as disclosed in Note 16(b);

(ii) a deed of assignment cum loan agreement over freehold land owned by a subsidiary as disclosed in Note 16;

(iii) a debenture incorporating a fixed and floating charge over the assets of subsidiaries, both present and future;

(iv) assignment of contract proceeds from certain receivables;

(v) corporate guarantees by the Company, holding company and a subsidiary;

(vi) A first party memorandum of deposit of shares on the pledge of the Company's shareholding in Hirotako Holdings Berhad as disclosed in Note 19;

(vii) A third party memorandum of deposit of fixed deposits belonging to the Company as disclosed in Note 31; and

(viii) A first legal charge over Security Account and Debt Service Reserve Account.

(b) The average effective interest rates per annum of the borrowings are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 % | 2010 % | 2011 % | 2010 % |
| Term loans | 6.1 | 7.8 | 5.9 | - |
| Bankers' acceptances | 4.1 | 4.1 | - | - |
| Revolving credits | 4.5 | - | - | - |
| Bank overdrafts | 7.8 | 7.8 | - | - |
| Trust receipts | - | 6.8 | - | - |

## 36. PROVISION FOR RETIREMENT BENEFITS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| At 1 January | 1,619 | 2,356 | 1,535 | 1,295 |
| Provision during the year: | | | | |
| Defined benefit plans (Note 10) | 534 | 495 | - | - |
| Retirement gratuity (Note 9) | 240 | 240 | 240 | 240 |
| Contribution paid during the year | (526) | (442) | - | - |
| Effect of discontinued operations (Note 19) | - | (1,030) | - | - |
| At 31 December | 1,867 | 1,619 | 1,775 | 1,535 |

Daihatsu Group operates a funded, defined Retirement Benefit Scheme ("Scheme") for its eligible employees. Contributions to the Scheme are made to a separately administered fund. The Company operates an unfunded Scheme for the eligible employees and directors. Under both Schemes, eligible employees are entitled to retirement benefits of final salary on attainment of the retirement age of 55.

The amounts recognised in the statements of financial position are determined as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Provision for unfunded retirement gratuity | 1,775 | 1,535 | 1,775 | 1,535 |
| Present value of funded defined benefit obligations | 4,565 | 4,686 | - | - |
| Fair value of plan assets | (3,862) | (4,778) | - | - |
| | 703 | (92) | - | - |
| Unrecognised actuarial (losses)/gains | (611) | 176 | - | - |
| | 92 | 84 | - | - |
| Total | 1,867 | 1,619 | 1,775 | 1,535 |

The amounts recognised in the profit or loss are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Defined benefit plans** | | | | |
| Current service cost | 540 | 500 | - | - |
| Interest cost | 532 | 481 | - | - |
| Expected return on Scheme assets | (538) | (486) | - | - |
| Total, included in employee benefits expense (Note 10) | 534 | 495 | - | - |
| **Retirement gratuity** | | | | |
| Current service cost | 240 | 240 | 240 | 240 |
| Total | 774 | 735 | 240 | 240 |

The actual return on the plan assets of the Group was RM285,000 (2010: RM272,000).

Principal actuarial assumptions used are as follows:

| | The Group | |
|---|---|---|
| | 2011 % | 2010 % |
| Discount rate | 6.00 | 6.25 |
| Average salary increase | 5.00 | 5.00 |
| Expected rate of return on plan assets | 6.00 | 6.00 |

## 37. HIRE PURCHASE PAYABLES

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Minimum hire purchase payments:** | | |
| Within one year | 19 | 19 |
| In the second to fifth years inclusive | 45 | 63 |
| | 64 | 82 |
| Less: Future finance charges | (7) | (11) |
| Present value of hire purchase payables | 57 | 71 |
| **Analysed as:** | | |
| Due within one year | 16 | 15 |
| Due in the second to fifth years inclusive | 41 | 56 |
| | 57 | 71 |

The effective interest rates range from 6.54% to 7.10% (2010: 6.54% to 7.10%) per annum. Interest rates are fixed at the inception of the hire purchase arrangements.

## 38. NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES

| | The Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Non-Cumulative Redeemable Preference Shares of RM0.01 each, issued at an issue price of RM1.00 each | | |
| At 1 January | - | - |
| Effect of acquisition of subsidiaries (Note 19) | 928 | - |
| At 31 December | 928 | - |

The Non-Cumulative Redeemable Preference Shares ("NCRPS") of RM0.01 each were issued by Hirotako Holdings Berhad's ("HHB") subsidiaries at RM1.00 each to an affiliated corporation. The redemption price shall be at nominal value of the NCRPS together with an amount equal to the premium paid on the NCRPS upon issue and any dividends declared thereon and remaining unpaid. The dividends of NCRPS are paid, as and when declared by the Board of Directors of the said subsidiaries. The NCRPS do not have any voting rights at any general meeting except on the matters set out in Section 148(2) of the Companies Act, 1965.

The Directors of HHB are of the view that the NCRPS issued are financial liabilities as the shares will be redeemed in 2012.

## 39. PROVISION FOR LIABILITIES

| The Group | Warranty RM'000 | Service Maintenance RM'000 | Claims for Compensation RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2010 | 785 | 773 | 1,058 | 2,616 |
| Additional provision during the year | 843 | 1,111 | - | 1,954 |
| Utilisation during the year | - | (291) | (348) | (639) |
| Reversal during the year | - | - | (180) | (180) |
| At 31 December 2010 | 1,628 | 1,593 | 530 | 3,751 |
| Additional provision during the year | - | 1,078 | - | 1,078 |
| Utilisation during the year | - | (701) | (34) | (735) |
| Reversal during the year | (1,628) | - | - | (1,628) |
| Effect of acquisition of subsidiaries (Note 19) | 6,868 | - | - | 6,868 |
| At 31 December 2011 | 6,868 | 1,970 | 496 | 9,334 |

Provision for warranty is made based on the estimated liability on all products under warranty. A provision for warranty is recognised for products under warranty at the end of the reporting period based on past claims experience arising during the period of warranty.

Provision for service maintenance is made for the estimated liability for service maintenance under warranty. A provision for service maintenance is recognised for service maintenance under warranty at the end of the reporting period based on number of cars sold.

Provision for claims for compensation is made based on the estimated liability for industrial relations and civil cases. A provision is recognised for industrial relations and civil cases at the end of the reporting period based on an assessment as to the likelihood of such claims crystallising.

## 40. TRADE PAYABLES

The normal trade credit terms granted to the Group by trade payables ranges from 2 days to 90 days (2010: 2 days to 90 days).

Included in trade payables of the Group are the amounts of RM34,535,000 (2010: RM33,216,000) and RM3,190,000 (2010: RM395,000) due to a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. and Hino Motors (Malaysia) Sdn. Bhd. respectively, associates of the Group.

Analysis of currency exposure profile of trade payables is as follows:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Ringgit Malaysia | 123,976 | 97,916 |
| United States Dollar | 12,616 | 220 |
| Thai Baht | 2,545 | - |
| Euro | 1,795 | - |
| Swedish Kroner | 412 | - |
| Singapore Dollar | 196 | - |
| Japanese Yen | 79 | 72 |
| | 141,619 | 98,208 |

## 41. OTHER PAYABLES AND ACCRUED EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Accruals | 71,485 | 10,673 | 6,621 | 375 |
| Deposits received from customers | 24,280 | 16,587 | - | - |
| Sundry payables | 22,930 | 7,263 | - | - |
| Advances from other shareholders | 2,700 | 2,700 | - | - |
| Accruals for dealers and salesmen incentives | 589 | 654 | - | - |
| Amount due for insurance premium on vehicles sold | 32 | 157 | - | - |
| | 122,016 | 38,034 | 6,621 | 375 |

Included in accruals of the Group is an amount of RM28,224,000 (2010: RMNil) representing accruals for purchase consideration to be paid to the non-controlling shareholders of Hirotako Holdings Berhad ("HHB") in the compulsory acquisition of the remaining shareholdings in HHB not owned by the Group as of the end of the financial year as disclosed in Note 47(a).

## 42. AMOUNT OWING TO HOLDING COMPANY

Amount owing to the holding company arose mainly from advances and payment made on behalf which is unsecured, interest-free and repayable on demand.

## 43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the financial year, which were determined based on negotiation agreed between the parties:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") | 791,896 | 771,505 |
| Purchases from Hino Motor (Malaysia) Sdn. Bhd. | 44,103 | 23,746 |
| Purchases from Toyota Tsusho Co., its subsidiaries and associates | 14,993 | 21,323 |
| Sales to a subsidiary of Perodua | 23,714 | 21,973 |
| Sales to Toyota Tsusho Co., its subsidiaries and associates | 2,865 | 3,836 |
| Central Motor Wheels Co: | | |
| Royalty fee payable | 668 | 744 |
| Technical fee payable | 20 | 95 |
| Development expenses | 11 | 41 |
| Purchases from Daihatsu Motor Co. Ltd., its subsidiaries and associates* | - | 96,142 |

| | The Company | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Gross dividends from: | | |
| Subsidiaries | 16,269 | 12,773 |
| Associates | 43,697 | 32,364 |
| Management fee from subsidiaries | 668 | 756 |

* Includes subsidiaries and associates of Daihatsu Motor Co., Ltd. other than the subsidiaries of the Company.

Related parties and the relationships are described as follows:

| Related Parties | Nature of Relationship |
|---|---|
| **Toyota Tsusho Co. ("TT")** | TT is a corporate shareholder of Oriental Metal Industries (M) Sdn. Bhd. ("OMISB"), a subsidiary of the Company. |
| **Central Motor Wheels Co. ("CMW")** | CMW is a corporate shareholder of OMISB. |
| **Daihatsu Motor Co. Ltd. ("DMC")** | DMC is a corporate shareholder of Daihatsu (Malaysia) Sdn. Bhd, a subsidiary of the Company. |
| **Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")** | Perodua is an associate of the Company. |
| **Hino Motor (Malaysia) Sdn. Bhd. ("Hino Motor")** | Hino Motor is an associate of the Company. |

(b) Compensation of key management personnel are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Short term employee benefits | 1,392 | 1,532 | 684 | 550 |
| Employees Provident Fund | 163 | 165 | 95 | 74 |
| Other benefits | 36 | 36 | - | - |
| Total compensation of key management personnel | 1,591 | 1,733 | 779 | 624 |
| Consist of amount paid to: | | | | |
| Directors of the Company | 815 | 660 | 779 | 624 |
| Directors of subsidiaries | 776 | 1,073 | - | - |
| | 1,591 | 1,733 | 779 | 624 |

## 44. CAPITAL COMMITMENT

As of 31 December 2011, the Group has the following capital commitments in respect of the acquisition of property, plant and equipment:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Approved and contracted for | 89,062 | 23,679 |
| Approved but not contracted for | 25,574 | 12,245 |
| | 114,636 | 35,924 |

## 45. CONTINGENT LIABILITIES

(a) Corporate Guarantee

The Company is contingently liable to financial institutions for corporate guarantee given to the financial institutions for credit facilities granted to certain subsidiaries. As of 31 December 2011, the credit facilities obtained by the subsidiaries are secured and amounted to RM26,346,000 (2010: RM1,800,000).

(b) Industrial Relations

The Company's indirect 100% owned subsidiary, Federal Auto Holdings Berhad ("FAHB") has litigations in relation to constructive dismissal of employees and product liability claims. Provisions of RM496,000 (2010: RM529,000) has been recognised for expected claims arising from these litigations. The directors of FAHB are of the opinion that the possibility of these claims exceeding the amount provided is remote.

## 46. SIGNIFICANT EVENTS

(a) On 7 January 2011, Federal Auto Holdings Berhad ("FAHB"), a subsidiary of the Group, convened an Extraordinary General Meeting for the purpose of obtaining approval for a Proposed Selective Capital Reduction and Repayment exercise under Section 64 of the Companies Act, 1965 ("SCR") to undertake a reduction of all outstanding ordinary shares of RM1.00 each in FAHB ("Shares") held by the shareholders of FAHB other than Galaxy Waves Sdn. Bhd. ("GWSB"), a wholly-owned subsidiary of the Company, amounting to 2,099,570 Shares by way of cancellation of all such Shares and a reduction of a portion of the Shares held by GWSB amounting to 6,718,624 Shares pursuant to Section 64 of the Companies Act, 1965, by way of cancellation of all such Shares, and after the said reduction, the entire credit arising from the said reduction shall be applied by FAHB towards a cash capital repayment of RM4.20 per share.

The SCR has been approved unanimously by the shareholders of FAHB. On 4 April 2011, the High Court of Malaya, Kuala Lumpur granted an Order in Terms to proceed with the SCR.

(b) On 14 October 2010, the Company entered into a conditional share sale and purchase agreement with Lion Corporation Berhad and Lion Forest Industries Berhad (collectively referred to as "First Vendor") to acquire of 26,985,030 ordinary shares of RM1 each in Kinabalu Motor Assembly Sendirian Berhad ("KMASB"), representing 70.01% of the issued and paid-up share capital of KMASB.

On the same date, the Company also entered into a conditional share sale and purchase agreement with Silverstone Corporation Berhad (now known as Lion AMB Resources Berhad), CEDR Consulting Sdn. Bhd., Innovasi Istimewa Sdn. Bhd. and Range Grove Sdn. Bhd. (collectively referred to as "Second Vendor") to acquire 5,400,000 ordinary shares of RM1 each and 100,000 preference shares of RM0.01 each in Lion Motor Sdn. Bhd. ("LMSB"), representing 100% of the issued and paid-up share capital of LMSB.

Both proposed acquisitions are inter-conditional with a total consideration of RM16 million which consists of purchase considerations and debt settlement considerations.

On 28 February 2011, the Company entered into Supplemental Agreements with First Vendor and Second Vendor to vary the terms of the conditional share sale and purchase agreements entered into on 14 October 2010. Pursuant to the Supplement Agreements, the completion of the two purchases shall no longer be inter-conditional.

On 28 February 2011, the Group completed the acquisition of the entire equity interests in LMSB and consequently, LMSB became a wholly-owned subsidiary of FAHB and the Group. The consideration for the acquisition comprises debts settlement of RM2,999,994 owing by LMSB to the former holding company and a cash consideration of RM4.

On 3 June 2011, the Group completed the acquisition of the 70.01% equity interests in KMASB, and consequently, KMASB became a subsidiary of FAHB and the Group. The consideration for the acquisition comprises debts settlement of RM13,000,000 owing by KMASB to the former holding company and a cash consideration of RM2.

KMASB holds a manufacturing license for the assembly of motor vehicles issued by the Ministry of International Trade and Industry. LMSB has a license agreement with Dong Feng Automobile Co. Ltd., for the distribution of commercial vehicles in Malaysia.

(c) On 25 August 2011, the Oriental Metal Industries Sdn. Bhd. ("OMISB"), a subsidiary of the Group was authorised by its shareholders to undertake the Alloy Wheel Project ("Project") which involves the setting up of an alloy wheel manufacturing plant for a total investment sum of RM103 million.

On 9 December 2011, a new subsidiary, OMI Alloy (M) Sdn. Bhd. was incorporated by OMISB mainly for the purpose of undertaking the Project.

(d) On 21 October 2011, the Company entered into a Memorandum of Understanding with Mitsui & Co., Ltd. ("Mitsui"), a corporate shareholder of Daihatsu (Malaysia) Sdn. Bhd. ("DMSB"), a subsidiary of the Company, with the intention of increasing Mitsui's equity participation in DMSB ("MOU") via an acquisition of 4,000,000 ordinary shares of RM1.00 each representing 20% of the issued and paid-up share capital in DMSB by Mitsui from the Company for a cash consideration of RM75 million.

Upon completion of the proposed disposal of shares, DMSB will remain a subsidiary of the Company with 51.5% equity interest.

At the date of this report, Mitsui and the Company mutually agreed to extend the date for the execution and completion of the Share Sale and Purchase Agreement pursuant to the MOU from 31 December 2011 to 31 May 2012.

(e) On 27 October 2011, the Company undertook a voluntary take-over offer to acquire all voting shares of RM0.25 each in Hirotako Holdings Berhad ("HHB") (Excluding Treasure Shares)("HHB Shares"), all new HHB Shares which may be issued arising from the exercise of outstanding Warrants 2011/2016 in HHB ("Warrants") and all outstanding Warrants in HHB not held by the Company ("Take-Over").

The cash considerations for the Take-Over are RM0.97 per HHB Share and RM0.05 per Offer Warrant, respectively.

On 15 December 2011, the Take-Over was approved by the shareholders of the Company at an Extraordinary General Meeting.

On 31 December 2011, the Company held 400,728,691 HHB Shares representing 95.51% of the issued and paid-up share capital of HHB (excluding treasury shares) as a result of valid acceptance of the take-over offer from the Company.

## 47. SUBSEQUENT EVENTS

(a) On 3 January 2012, the Company announced that the Take-Over offer has closed with the level of acceptance for HHB Shares at 95.99% and for Warrants at 53.47%. The Company has proceeded to compulsory acquire any outstanding Offer Shares for which valid acceptance have not been received.

Consequently, HHB was delisted from the Main Market of the Bursa Malaysia Securities Berhad on 19 January 2012.

On 27 February 2012, the Company completed the compulsory acquisition of the outstanding Offer Shares. Consequent thereupon, HHB and its subsidiaries became wholly-owned subsidiaries of the Company.

(b) On 16 February 2012, FAHB terminated the Conditional Purchase Agreement dated 15 March 2010 with Kiara Seleksi Sdn Bhd ("KSSB") to purchase a property held under HS(D) 116293 PT 8361 Mukim Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan for a consideration of RM20,000,000.

The purchase of the said property will be undertaken by Summer Gallery Sdn. Bhd. ("SGSB"), a wholly-owned subsidiary of the Company, for which a new purchase agreement was entered into between KSSB and SGSB for a consideration of RM25,499,998.

(c) On 24 February 2012, the Company proposed to undertake the followings:

(i) a bonus issue of up to 73,652,300 new ordinary shares of RM1.00 each in the Company ("Shares") ("Bonus Shares"), to be credited as fully paid-up, on the basis of three (3) Bonus Shares for every ten (10) existing Shares held by the entitled shareholders of the Company on the entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Bonus Issue"); and

(ii) a renounceable rights issue of up to 73,652,300 new Shares ("Rights Shares") together with up to 73,652,300 new free detachable warrants ("Warrants") on the basis of three (3) Rights Shares with three (3) Warrants for every ten (10) existing Shares held by the entitled shareholders of the Company on the Entitlement Date ("Proposed Rights Issue with Warrants").

As at the date of this report, the Proposed Bonus Issue and Proposed Rights Issue with Warrants are subject to the approvals of the shareholders of the Company and the relevant authorities.

## 48. SEGMENT INFORMATION

The information reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance is specifically focused on the business segments as follows:

(i) Motor vehicles: Marketing and distribution of motor vehicles, spare parts and provision of related services.

(ii) Automotive components: Manufacturing of automotive parts and components, seat belts, car airbag modules, steel wheels and discs, and provision of tyre assembly services.

(iii) Vehicles body building: Manufacturing and fabrication of vehicles body and provision of related services.

(iv) Property development

(v) All others: Investment holding, corporate headquarters and other dormant companies.

Information regarding the Group's reportable segments is presented below.

**Year ended 31 December 2011**

| | Motor Vehicles RM'000 | Automotive Components RM'000 | Vehicle Body Building RM'000 | Property Development RM'000 | All Others RM'000 | The Group RM'000 |
|---|---|---|---|---|---|---|
| Revenues from external customers | 1,599,560 | 90,561 | 15,452 | - | - | 1,705,573 |
| Operating profits/(loss) for | | | | | | |
| reportable segments | 39,149 | 15,006 | (299) | (316) | (11,538) | 42,002 |
| Share of results of associates | 107,892 | - | - | - | - | 107,892 |
| Finance costs | (1,218) | (37) | (331) | - | (543) | (2,129) |
| Interest income | 722 | 546 | - | 32 | 1,526 | 2,826 |
| Depreciation and amortisation | 6,419 | 2,095 | 143 | 86 | 44 | 8,787 |
| Other significant non-cash item: | | | | | | |
| Provisions | 1,612 | - | - | - | 240 | 1,852 |
| Reversal of provisions | (1,128) | (500) | - | - | - | (1,628) |
| Capital expenditure | 24,872 | 1,509 | 92 | 8 | 6 | 26,487 |
| Segment assets | 626,723 | 577,555 | 13,650 | 26,110 | 33,622 | 1,277,660 |
| Investment in associates | 675,116 | 67,113 | - | - | - | 742,229 |
| Segment liabilities | 231,624 | 81,782 | 10,336 | 19,169 | 368,279 | 711,190 |

**Year ended 31 December 2010**

| | Motor Vehicles RM'000 | Automotive Components | | Vehicle Body Building RM'000 | Property Development RM'000 | All Others RM'000 | The Group RM'000 |
|---|---|---|---|---|---|---|---|
| | | Continuing RM'000 | Discontinued RM'000 | | | | |
| Revenues from external customers | 1,450,712 | 66,870 | 45,726 | 10,814 | - | 98 | 1,574,220 |
| Intersegment revenue | - | - | - | 1,002 | - | - | 1,002 |
| Operating profits/(loss) for | | | | | | | |
| reportable segments | 38,310 | 16,784 | 6,490 | (1,226) | (160) | (2,221) | 57,977 |
| Share of results of associates | 118,990 | - | - | - | - | - | 118,990 |
| Finance costs | (252) | (30) | (536) | (373) | - | (100) | (1,291) |
| Interest income | 1,083 | 442 | - | - | 17 | 1,138 | 2,680 |
| Depreciation and amortisation | 5,464 | 2,129 | 1,487 | 133 | 22 | 109 | 9,344 |
| Other significant non-cash item: | | | | | | | |
| Provisions | 2,449 | - | - | - | - | 240 | 2,689 |
| Reversal of provisions | (180) | - | - | - | - | - | (180) |
| Capital expenditure | 14,802 | 1,980 | 11,419 | 111 | 274 | 8 | 28,593 |
| Segment assets | 521,659 | 86,739 | - | 13,795 | 12,627 | 92,116 | 726,936 |
| Investment in associates | 619,783 | - | - | - | - | - | 619,783 |
| Segment liabilities | 154,827 | 9,120 | - | 10,755 | 5,474 | 2,539 | 182,715 |

Reconciliations of reportable operating segment revenue, profit or loss, assets and liabilities are as follows:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| **Revenue** | | |
| Total revenue for the Group's reportable segments | 1,705,573 | 1,575,124 |
| All others | - | 98 |
| Discontinued operations (Note 12) | - | (45,726) |
| Elimination of inter-segment revenues | - | (1,002) |
| Revenue, as reported | 1,705,573 | 1,528,494 |
| **Profit or Loss** | | |
| Total profit for the Group's reportable segments, including finance costs and interest income | 53,254 | 60,549 |
| All others | (10,555) | (1,183) |
| Discontinued operations (Note 12) | - | (5,954) |
| Share of results of associates | 107,892 | 118,990 |
| Profit before tax, as reported | 150,591 | 172,402 |
| **Assets** | | |
| Total assets for the Group's reportable segments | 1,244,038 | 634,820 |
| All others | 33,622 | 92,116 |
| Investment in associates | 742,229 | 619,783 |
| Total assets, as reported | 2,019,889 | 1,346,719 |
| **Liabilities** | | |
| Total liabilities for the Group's reportable segments | 342,911 | 180,176 |
| All others | 368,279 | 2,539 |
| Total liabilities, as reported | 711,190 | 182,715 |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

All inter-segment transactions have been entered during the financial year, which were determined based on negotiation agreed between the parties.

No analysis of geographical segment is presented as the Group operates principally in Malaysia.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of account payables and accruals.

Investment in associates: Income from associates is allocated as they are specifically attributable to business segments, and correspondingly investment in associates is included as segment assets of the Group.

## 49. FINANCIAL RISK MANAGEMENT

### Capital Risk Management

The objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2010.

The capital structure of the Group consists of debts and equity of the Group.

The Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital.

### Gearing Ratio

The gearing ratio at end of the reporting period was as follows.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Debts | 433,990 | 38,753 | 344,013 | - |
| Equity | 1,308,699 | 1,164,004 | 433,149 | 419,799 |
| Debt to equity ratio | 33.2% | 3.3% | 77.1% | - |

Debt is defined as long-term and short-term borrowings as disclosed in Notes 35 and 37 respectively.

Equity includes capital, reserves and non-controlling interests.

## Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

## Categories of financial instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Financial assets** | | | | |
| Available-for-sale investment | 6,614 | - | - | - |
| Held-to-maturity investment | 1,000 | 1,000 | - | - |
| Loan and receivables: | | | | |
| Hire purchase receivables | 21 | 56 | - | - |
| Trade receivables | 163,951 | 94,521 | - | - |
| Other receivables | 39,244 | 19,411 | 65 | 45 |
| Amount owing by subsidiaries | - | - | 84,347 | 57,594 |
| Cash and bank balances | 253,034 | 182,818 | 33,965 | 84,512 |
| **Financial liabilities** | | | | |
| At amortised cost: | | | | |
| Hire purchase payables | 57 | 71 | - | - |
| Borrowings | 433,933 | 38,682 | 344,013 | - |
| Non-cumulative redeemable preference shares | 928 | - | - | - |
| Trade payables | 141,619 | 98,208 | - | - |
| Other payables and accrued expenses | 97,736 | 21,447 | 6,621 | 375 |
| Amount owing to holding company | 462 | 646 | 462 | 646 |

At the end of the reporting period, there are no significant concentrations of credit risk. The carrying amount reflected above represents the Group maximum exposure to credit risk for loan and receivables.

## Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's financial risk management principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities.

Various risk management policies are formulated and approved by the Board of Directors for observation in the day-to-day operations for controlling and managing the risks associated with financial instruments.

## Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in the respective notes.

Foreign currency sensitivity analysis

The Group is mainly exposed to the foreign currencies of United States Dollar, Thai Baht, Swedish Kroner, Euro and Singapore Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates a gain in the profit or loss where the Ringgit Malaysia strengthens 10% against the relevant currency. For a 10% weakening of the Ringgit Malaysia against the relevant currency, there would be a comparable impact on the profit or loss, the balances below would be negative.

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| United States Dollar | 1,151 | 22 |
| Thai Baht | 255 | - |
| Euro | 180 | - |
| Swedish Kroner | 41 | - |
| Singapore Dollar | 20 | - |
| Japanese Yen | 8 | 7 |

The Group's sensitivity to foreign currency is mainly attributable to the exposure of outstanding receivables and payables, which are denominated in foreign currencies at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the financial year.

## Credit Risk Management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk mainly from trade receivables and other receivables.

The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers fail to perform their obligations as of 31 December 2011, is the carrying amount of these receivables as disclosed in statements of financial position.

The Group places its short-term deposits with credit worthy institutions. The carrying amount of financial assets in the financial statements, net of any provision of losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral or other security obtained.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for amount due from subsidiaries of Perusahaan Otomobil Kedua Sdn. Bhd., an associate of the Group as disclosed in Note 28. There are no other customers who represent more than 10% of the total balance of trade receivables at the end of the reporting period. The Group defines counterparties having similar characteristics if they are related entities.

## Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing fixed deposits, short-term and long-term borrowings. The Group has in place prudent investment policies whereby excess funds are only invested in repurchase agreements or placed as fixed deposits with reputable commercial banks. The Group does not at anytime make placements in non-guaranteed, fluctuating, commercial papers and the like.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed below. The sensitivity analyses below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease in the interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit for the year ended 31 December 2011 would be decrease/increase as a result of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Decrease/Increase in interest expense on: | | | | |
| Term loans | 1,899 | 116 | 1,720 | - |
| Bankers' acceptances | 217 | 65 | - | - |
| Revolving credits | 50 | - | - | - |
| Bank overdrafts | 4 | 7 | - | - |
| Trust receipts | - | 5 | - | - |
| | 2,170 | 193 | 1,720 | - |

Non sensitivity analysis is prepared by management as interest rate for hire purchase payables is fixed at the inception of the financing arrangement.

## Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the liquidity analysis for its financial liabilities based on the contractual maturity of these financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest contractual date on which the Group can be required to pay.

When the amount payable is not fixed, the amount disclosed has been determined by reference to the fair value as of the end of the reporting period.

| The Group | Less than 1 Year RM'000 | 1 to 2 Years RM'000 | 2 to 5 Years RM'000 | More than 5 Years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2011** | | | | | |
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Trade payables | 141,619 | - | - | - | 141,619 |
| Other payables and accrued expenses | 97,736 | - | - | - | 97,736 |
| Amount owing to holding company | 462 | - | - | - | 462 |
| | 239,817 | - | - | - | 239,817 |
| Interest bearing: | | | | | |
| Non-cumulative redeemable preference shares | 928 | - | - | - | 928 |
| Term loans | 63,164 | 102,210 | 265,733 | 41,104 | 472,211 |
| Bankers' acceptances | 43,353 | - | - | - | 43,353 |
| Revolving credits | 10,000 | - | - | - | 10,000 |
| Bank overdrafts | 832 | - | - | - | 832 |
| Hire purchase payables | 19 | 19 | 26 | - | 64 |
| | 118,296 | 102,229 | 265,759 | 41,104 | 527,388 |
| | 358,113 | 102,229 | 265,759 | 41,104 | 767,205 |
| **2010** | | | | | |
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Trade payables | 98,208 | - | - | - | 98,208 |
| Other payables and accrued expenses | 21,447 | - | - | - | 21,447 |
| Amount owing to holding company | 646 | - | - | - | 646 |
| | 120,301 | - | - | - | 120,301 |
| Interest bearing: | | | | | |
| Term loans | 2,809 | 2,774 | 8,045 | 19,117 | 32,745 |
| Bankers' acceptances | 13,016 | - | - | - | 13,016 |
| Bank overdrafts | 1,430 | - | - | - | 1,430 |
| Trust receipts | 1,084 | - | - | - | 1,084 |
| Hire purchase payables | 19 | 19 | 44 | - | 82 |
| | 18,358 | 2,793 | 8,089 | 19,117 | 48,357 |
| | 138,659 | 2,793 | 8,089 | 19,117 | 168,658 |

| The Company | Less than 1 Year RM'000 | 1 to 2 Years RM'000 | 2 to 5 Years RM'000 | More Than 5 Years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2011** | | | | | |
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Other payables and accrued expenses | 6,621 | - | - | - | 6,621 |
| Amount owing to holding company | 462 | - | - | - | 462 |
| | 7,083 | - | - | - | 7,083 |
| Interest bearing: | | | | | |
| Term loans | 60,347 | 99,393 | 257,281 | - | 417,021 |
| | 67,430 | 99,393 | 257,281 | - | 424,104 |
| **2010** | | | | | |
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Other payables and accrued expenses | 375 | - | - | - | 375 |
| Amount owing to holding company | 646 | - | - | - | 646 |
| | 1,021 | - | - | - | 1,021 |

## Fair Values

The carrying amounts of the financial assets and financial liabilities of the Group and the Company at the end of the reporting period approximate their fair values due to the relatively short term maturities of these financial instruments except for the following:

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | Carrying Amount RM'000 | Fair Value RM'000 | | 2011 RM'000 | 2010 RM'000 | |
| **Financial assets** | | | | | | |
| **At 31 December 2011** | | | | | | |
| Available-for-sale investment | 6,614 | 6,614 | ^ | - | - | |
| Held-to-maturity investment | 1,000 | 1,010 | ^ | - | - | |
| **At 31 December 2010** | | | | | | |
| Held-to-maturity investment | 1,000 | 1,012 | ^ | - | - | |
| **Financial liabilities** | | | | | | |
| **At 31 December 2011** | | | | | | |
| Borrowings | 433,933 | 442,470 | # | 344,013 | 352,075 | # |
| Hire purchase payables | 57 | 57 | # | - | - | |
| Non-cumulative redeemable preference shares ("NCRPS") | 928 | 928 | * | - | - | |
| **At 31 December 2010** | | | | | | |
| Borrowings | 38,682 | 40,205 | # | - | - | |
| Hire purchase payables | 71 | 71 | # | - | - | |

## Valuation techniques and assumptions applied for the purposes of measuring fair value

^ The fair values of available-for-sale investment and held-to-maturity investment are determined with reference to quoted market prices at the end of the reporting period.

# The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

* The fair values of NCRPS is estimated using discounted cash flow analysis based on 5.5%.

## Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| | LEVEL 1 RM'000 | LEVEL 2 RM'000 | LEVEL 3 RM'000 | TOTAL RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2011** | | | | |
| **Financial Assets** | | | | |
| Available-for-sale investment | 6,614 | - | - | 6,614 |

## 50. SUBSIDIARIES

| | Country of Incorporation | Effective Equity Interest 2011 % | 2010 % | Principal Activities |
|---|---|---|---|---|
| **Direct Subsidiaries** | | | | |
| Daihatsu (Malaysia) Sdn. Bhd. | Malaysia | 71.5 | 71.5 | Marketing and distribution of motor vehicles, spare parts and provision of related motor repair services. |
| Galaxy Waves Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Summit Vehicles Body Works Sdn. Bhd. | Malaysia | 100 | 100 | Vehicles body building, and general engineering works. |
| Oriental Extrusions Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Summer Gallery Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Inai Benua Sdn. Bhd. | Malaysia | 70 | 70 | Property development. |
| Hirotako Holdings Berhad | Malaysia | 95.5 | - | Investment holding and the provision of management services. |
| **Indirect Subsidiaries** | | | | |
| DMM Sales Sdn. Bhd. | Malaysia | 71.5 | 71.5 | Marketing and distribution of motor vehicles, related spare parts and other related activities. |
| DMM Engineering Sdn. Bhd. | Malaysia | 71.5 | 71.5 | Repair and touching-up, construction of vehicles body parts for sale, providing holding company and handling services to its distribution of spare parts and trucks. |
| DMM Credit Sdn. Bhd. | Malaysia | 71.5 | 71.5 | Provision of hire purchase facilities. |
| DMM Assembly Services Sdn. Bhd. | Malaysia | 71.5 | 71.5 | Dormant. |
| Federal Auto Holdings Berhad | Malaysia | 100 | 86 | Investment holding, letting, maintenance and management of properties and provision of management services. |
| Federal Auto Cars Sdn. Bhd. | Malaysia | 100 | 86 | Trading of motor vehicles and spare parts and providing ancillary services. |
| Fadara Properties Sdn. Bhd. | Malaysia | 100 | 86 | Rental and management of properties. |
| Fadara Trading Sdn. Bhd. | Malaysia | 100 | 86 | Non-operating. |

*(Forward)*

| | Country of Incorporation | Effective Equity Interest 2011 % | 2010 % | Principal Activities |
|---|---|---|---|---|
| **Indirect Subsidiaries** | | | | |
| Federal Auto Cars Retail Sdn. Bhd. | Malaysia | 100 | 86 | Investment holding. |
| FAST Sdn. Bhd. | Malaysia | 100 | 86 | Trading of motor vehicle accessories. |
| F.A. Wagen Sdn. Bhd. | Malaysia | 100 | 86 | Trading of motor vehicles and spare parts and providing ancillary services. |
| F.A. Serve Sdn. Bhd. | Malaysia | 100 | 86 | Operating petrol station and providing workshop services. |
| F.A. Leasing and Credit Sdn. Bhd. | Malaysia | 100 | 86 | Non-operating. |
| Liberty Car Rental Sdn. Bhd. | Malaysia | 100 | 86 | Non-operating. |
| F.A. Automobiles Sdn. Bhd. | Malaysia | 100 | 86 | Investment holding. |
| F.A. Automobiles (Ipoh) Sdn. Bhd | Malaysia | 100 | 86 | Trading of motor vehicles and spare parts and providing ancillary services. |
| F.A. Autoprima Sdn. Bhd | Malaysia | 100 | 86 | Non-operating. |
| F.A. Autosoft Sdn. Bhd | Malaysia | 100 | 86 | Non-operating. |
| Oriental Metal Industries (M) Sdn. Bhd. | Malaysia | 78 | 78 | Manufacturing of steel wheel rims for motor vehicles and related activities. |
| OMI Alloy (M) Sdn. Bhd. | Malaysia | 78 | - | Manufacturing of alloy wheels for motor vehicles and related activities. Inactive as of year end. |
| Lion Motor Sdn. Bhd. | Malaysia | 100 | - | Trading of motor vehicles. |
| Kinabalu Motor Assembly Sendirian Berhad* | Malaysia | 70 | - | Trading of motor vehicles. |
| KMA Marketing Sdn. Bhd.* | Malaysia | 70 | - | Trading of motor vehicles and spare parts and providing ancillary services. |
| Autoliv Hirotako Sdn. Bhd.* | Malaysia | 48.7 | - | Investment holding. |
| Autoliv Hirotako Safety Sdn. Bhd.* | Malaysia | 48.7 | - | Manufacture and sale of seat belts for motor vehicles. |

*(Forward)*

| | Country of Incorporation | Effective Equity Interest 2011 % | 2010 % | Principal Activities |
|---|---|---|---|---|
| **Indirect Subsidiaries** | | | | |
| Autoliv Hirotako SRS Sdn. Bhd.* | Malaysia | 48.7 | - | Manufacture and sale of car airbag modules and steering wheels. |
| Autobelt Sdn. Bhd.* | Malaysia | 48.7 | - | Dormant. |
| Airbag Systems (Malaysia) Sdn. Bhd.*^ | Malaysia | 48.7 | - | Dormant. |
| Hirotako Acoustics Sdn. Bhd.* | Malaysia | 95.5 | - | Manufacture and sale of noise and heat reduction material as well as insulator parts for motor vehicles. |
| PC Ventures Sdn. Bhd.* | Malaysia | 95.5 | - | Investment holding. |
| Hirotako Kein Hing Sdn. Bhd.* | Malaysia | 95.5 | - | Dormant. |
| Hirotako Marketing Sdn. Bhd.* | Malaysia | 95.5 | - | Dormant. |
| Hirotako Ventures Sdn. Bhd.* | Malaysia | 95.5 | - | Dormant. |
| Duralux Sdn. Bhd.* | Malaysia | 95.5 | - | Dormant. |
| Hirotani Philippines Incorporated* | Philippines | 95.5 | - | Dormant. |

* Audited by a firm other than Deloitte KassimChan.

^ Member's Voluntary Winding-up commenced on 12 December 2008 and accordingly, the principal activity has ceased.

## 51. ASSOCIATE COMPANIES

| Name of Company | Country of Incorporation | Equity Interests Held 2011 % | Equity Interests Held 2010 % | Principal Activities |
|---|---|---|---|---|
| Perusahaan Otomobil Kedua Sdn. Bhd.* | Malaysia | 23.6 | 23.6 | Investment holding, provision for management and administration services, marketing and distribution of motor vehicles and related spare parts. |
| Hino Motors (Malaysia) Sdn. Bhd.* | Malaysia | 42 | 42 | Marketing and servicing of commercial vehicles and related spare parts. |
| Teck See Plastics Sdn. Bhd.* | Malaysia | 21.1 | - | Manufacture and distribution of plastic articles and products. |

* Audited by a firm other than Deloitte KassimChan.

## 52. SUPPLEMENTARY INFORMATION

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of 31 December 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

| | The Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| **Total retained earnings of the Company and its subsidiaries** | | |
| Realised | 565,593 | 567,304 |
| Unrealised | (11,119) | (5,506) |
| | 554,474 | 561,798 |
| **Total retained earnings of associates** | | |
| Realised | 516,683 | 460,807 |
| Unrealised | (22,556) | (22,013) |
| | 494,127 | 438,794 |
| Less: Consolidation adjustments | (215,942) | (256,923) |
| **Total retained earnings as per statements of financial position** | 832,659 | 743,669 |

| | The Company | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| **Total retained earnings** | | |
| Realised | 160,154 | 147,224 |
| Unrealised | (1,775) | (1,535) |
| **Total retained earnings as per statements of financial position** | 158,379 | 145,689 |

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and is not made for any other purposes.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held on Wednesday, 20 June 2012 at the Federal Auto Holdings Berhad, The Learning Academy, Level 2, Lot 43, Jalan Pelukis U1/46, Section U1, 40150 Shah Alam, Selangor Darul Ehsan at 10.30 a.m.

## Agenda

| | |
|---|---|
| **(Please refer to Explanatory Note 2)** | To consider and receive the Audited Accounts for the year ended 31 December 2011 together with the Reports of the Directors and Auditors therein. |
| **Resolution 1** | To re-elect Dato' Abdul Rahim bin Abdul Halim who retire by rotation in accordance with Article 78 of the Articles of Association of the Company. |
| **Resolution 2** | To re-elect Encik Iskander bin Ismail Mohammed Ali who retire by rotation in accordance with Article 78 of the Articles of Association of the Company. |
| **Resolution 3** | To approve the Directors' fees for the year ended 31 December 2011. |
| **Resolution 4** | To re-appoint Messrs. Deloitte KassimChan & Co as the Auditors of the Company and to authorise the Directors to fix their remuneration. |

By Order of the Board
MBM RESOURCES BERHAD

**Shahrizat bt Othman (MAICSA No.: 0764744)**
**Zaharah bt Ibrahim (MAICSA No.: 7012004)**
Company Secretaries

Kuala Lumpur
23 May 2012

**Notes:**

1. **Proxy**

(i) (i) For the purpose of determining who shall be entitled to attend the meeting, only members whose names appear in the Record of Depositors as at 18 June 2012 shall be entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

(ii) A member shall be entitled to appoint not more than two (2) proxies to attend at the same meeting and that the provisions of Section 149(1)(c) of the Companies Act, 1965 shall apply. Where a member appoints more than one proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company, Suite C-5-4, Wisma Goshen, Plaza Pantai, Jalan Pantai Baharu, 59200 Kuala Lumpur, at least forty-eight (48) hours before the time appointed for holding the Meeting.

2. **Explanatory Notes to the First Agenda**

This agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

3. **Annual Report 2011**

The Company issues to the shareholders the Annual Report 2011 in CD-ROM format together with its abridged version. A full version of the Annual Report in hard copy form shall be provided to the shareholders within four (4) market days from the date of receipt of verbal or written request. Shareholders who wish to receive the full version of the Annual Report in hard copy form and who require assistance in viewing the CD-ROM, kindly contact the Company Administrator, Ms. Liong Jia Jia at Tel. No.: 03-2287 6803. Alternatively, you may fax the duly completed request form for a hard copy of the full version of the Annual Report to Fax No.: 03-2287 6805 or send the duly completed request form to the Company's office address at No. 1-6, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. For further information, please visit our website at www.mbmr.com.my.

## Statement Accompanying Notice of Annual General Meeting

Details of individuals who are standing for re-election are set out in the Profile of Directors appearing on pages 24-27 of the Annual Report.

**MBM RESOURCES BERHAD**
(284496 - V) (Incorporated in Malaysia)

I/We ______________________________________________

of ______________________________________________

being a member/members of MBM RESOURCES BERHAD, hereby appoint ______________________________

______________________________________________

of ______________________________________________

or failing him/her, ______________________________________________

of ______________________________________________

or failing him/her, the Chairman of the Meeting as my proxy/our proxy to vote for me / us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Federal Auto Holdings Berhad, The Learning Academy, Level 2, Lot 43, Jalan Pelukis U1/46, Section U1, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 20 June 2012 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| Ordinary Resolution No. 1 | | |
| Ordinary Resolution No. 2 | | |
| Ordinary Resolution No. 3 | | |
| Ordinary Resolution No. 4 | | |

(Please indicate with "X" how you wish to cast your vote)

| NUMBER OF SHARES | |
|---|---|

……………………………………………….
Signature

Signed this ______________ day of ______________ 2012

***NOTE:***

(i) For the purpose of determining who shall be entitled to attend the meeting, only members whose names appear in the Record of Depositors as at 18 June 2012 shall be entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

(ii) A member shall be entitled to appoint not more than two (2) proxies to attend at the same meeting and that the provisions of Section 149(1)(c) of the Companies Act, 1965 shall apply. Where a member appoints more than one proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company, Suite C-5-4, Wisma Goshen, Plaza Pantai, Jalan Pantai Baharu, 59200 Kuala Lumpur, at least forty-eight (48) hours before the time appointed for holding the Meeting.

Fold this flap for sealing

AFFIX
STAMP

**MBM RESOURCES BERHAD**
The Company Secretaries
Suite C-5-4, Wisma Goshen, Plaza Pantai
Jalan Pantai Baharu, 59200 Kuala Lumpur

2nd fold line

1st fold line

MBM Resources Berhad (284496-V)

CORPORATE OFFICE
No. 1-6, The Boulevard, Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
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www.mbmr.com.my

ANNUAL REPORT 2011