



UMW



UMW HOLDINGS BERHAD 090279-F
ANNUAL REPORT 2008

OUR BUSINESS

We are an international conglomerate that develops industries, manages partnerships and facilitates growth.

OUR PROMISE

Together, we play a leading role in shaping the future of our industries globally. We do this by inspiring vibrant ideas, nurturing potential, pioneering partnerships and delivering excellence in everything we do, the rewards of which contribute to the progress and well-being of all our stakeholders.



COVER RATIONALE

The 2008 UMW annual report cover design welcomes the best performing year by far for UMW in its history. The picture of the little girl reaching for the sky is a reflection of our aspirations to eliminate barriers and achieve new heights, as we go *Beyond Boundaries*[®] to become a world-class organisation.

In a rapidly-changing world, the UMW team greets each dawn with fresh thinking. Our arms embrace new technology but our hearts hold on to the everlasting values that have made us who we are today – to be Honourable, Vibrant, Unshakeable and Pioneering.



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of the Company will be held at the UMW Auditorium, UMW Holdings Berhad, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 25 June 2009 at 10.00 a.m. for the following purposes -

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To declare a final dividend comprising a franked dividend of 3.25 sen per share of RM0.50 each less 25% income tax and a single-tier dividend of 8.75 sen per share of RM0.50 each for the year ended 31 December 2008, giving a total gross dividend of 37.0 sen per share of nominal value RM0.50 each for the year. **Ordinary Resolution 2**
3. To re-elect Tan Sri Dato' Mohamed Noordin bin Hassan who is retiring in accordance with Article 123 of the Company's Articles of Association. **Ordinary Resolution 3**
4. To re-elect the following Directors who are retiring in accordance with Article 109 of the Company's Articles of Association -
 - (a) Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani **Ordinary Resolution 4**
 - (b) Mohd. Nizam bin Zainordin. **Ordinary Resolution 5**
5. To re-appoint Tan Sri Datuk Mohamed Khatib bin Abdul Hamid pursuant to Section 129(6) of the Companies Act, 1965. **Ordinary Resolution 6**
6. To approve Directors' fees of RM761,000 for the year ended 31 December 2008. **Ordinary Resolution 7**
7. To re-appoint Messrs. Ernst & Young as Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

AS SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications -

Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

"THAT the mandate granted by the shareholders of the Company on 26 June 2008 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and its subsidiaries ("the UMW Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.1.1 (b) of Part A of the Circular to Shareholders dated 2 June 2009 ("the Circular") with the related parties mentioned therein, which are necessary for the UMW Group's day-to-day operations, be and is hereby renewed, provided that -

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than

NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

- (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and in the annual reports for subsequent financial years during which the shareholders' mandate is in force, based on the type of the recurrent transactions, the names of the related parties involved in each type of the recurrent transaction and their relationship with the Company;

AND THAT the authority conferred by such renewed mandate shall continue to be in force until -

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which the ordinary resolution for the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at a general meeting, the mandate is again renewed;
- (b) the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965, but such period shall not extend to any extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in general meeting,

whichever is the earliest,

AND THAT the Directors of the Company be and are hereby authorised to complete and do such acts and things as they may think expedient or necessary (including executing such documents as may be required) to give effect to the Proposed Shareholders' Mandate,

AND THAT the estimates given on the recurrent related party transactions specified in Section 2.1.1 (b) of Part A of the Circular being provisional in nature, the Directors or any of them be and are hereby authorised to agree to the actual amount or amounts thereof, provided always that such amount or amounts comply with the review procedures set out in Section 2.1.2 of Part A of the Circular."

Ordinary Resolution 9

Proposed Renewal of Authority for the Company to Purchase Its Own Shares

"THAT subject to the Companies Act, 1965 ("the Act"), the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulating authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Renewal of Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company, provided that -

NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

- (a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the total issued and paid-up ordinary share capital of the Company as at the point of purchase; and
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings and share premium reserves of the Company at the time of the purchase,

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner -

- (a) cancel all the shares so purchased; or
- (b) retain the shares so purchased in treasury for distribution as dividends to shareholders and/or resell the shares on the market of Bursa Securities and/or subsequently cancel the treasury shares; or
- (c) retain part of the shares so purchased as treasury shares and cancel the remainder; and

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements and any other relevant authority for the time being in force,

AND THAT such authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be in force until -

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time the said authority shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest,

AND THAT the Directors of the Company and/or any of them be authorised to take all such steps as are necessary or expedient to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities."

Ordinary Resolution 10

- 9. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of the shareholders at the Twenty-Seventh Annual General Meeting, the Final Dividend comprising a franked dividend of 3.25 sen per share of RM0.50 each less 25% income tax and a single-tier dividend of 8.75 sen per share of RM0.50 each, for the financial year ended 31 December 2008 will be paid on 10 August 2009 to shareholders whose names appear in the Record of Depositors at the close of business on 22 July 2009.

A Depositor shall qualify for entitlement to the dividends only in respect of -

- (a) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 20 July 2009 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 22 July 2009 in respect of ordinary transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board



SUSEELA MENON
Secretary (MAICSA 7028386)

2 June 2009
Shah Alam, Selangor Darul Ehsan.

Notes

- (i) *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
- (ii) *A proxy need not be a member of the Company but, in accordance with Section 149 of the Companies Act, 1965 and the Articles of Association of the Company, if not a member of the Company, he/she must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies, Companies Commission of Malaysia, in a particular case.*
- (iii) *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (iv) *The proxy form must be signed by the appointer or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or attorney duly authorised in that behalf.*
- (v) *All proxy forms should be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

Explanatory Note on Ordinary Business

(i) Retirement of Director

Dato' Ir. Lee Yee Cheong who is retiring under Section 129 of the Companies Act, 1965, has intimated that he does not wish to seek re-appointment and accordingly will retire at the conclusion of the forthcoming AGM.

Explanatory Notes on Special Business

(i) Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The Board proposes to renew the mandate granted by the shareholders of the Company at the AGM of the Company held on 26 June 2008. The Proposed Shareholders' Mandate will enable the Company and its subsidiaries ("the UMW Group") to enter into any recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the UMW Group, involving related parties, as detailed in the Circular to Shareholders dated 2 June 2009.

(ii) Proposed Renewal of Authority for the Company to Purchase Its Own Shares ("Proposed Renewal of Share Buy-Back")

The Proposed Renewal of Share Buy-Back, if approved by shareholders, will provide a mandate for the Company to purchase its own shares up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Details of Directors seeking re-election or re-appointment as mentioned in the Notice of Annual General Meeting are set out in their respective profiles which appear in the Directors' Profile on pages 12 to 15 of this annual report. Directors' interests in the securities of the Company are disclosed on page 71 of this annual report.

FINANCIAL CALENDAR

YEAR ENDED 31 DECEMBER 2008

Financial Year Ended/Ending	31 Dec 2008	31 Dec 2009
Announcement Of Results		
First Quarter	23 May 2008	20 May 2009
Second Quarter	20 Aug 2008	Aug 2009
Third Quarter	24 Nov 2008	Nov 2009
Fourth Quarter	25 Feb 2009	Feb 2010
Issue Of Annual Report And Financial Statements	2 June 2009	May 2010
Annual General Meeting	25 June 2009	June 2010
Dividends		
Interim		
- Declaration	20 Aug 2008	Aug 2009
- Payment	7 Oct 2008	Oct 2009
Second Interim		
- Declaration	24 Nov 2008	Nov 2009
- Payment	20 Feb 2009	Feb 2010
Final		
- Declaration	25 June 2009	June 2010
- Payment	10 Aug 2009	Aug 2010

SUMMARY OF GROUP RESULTS

YEAR ENDED 31 DECEMBER 2008

	2008 RM'000	2007 RM'000
Revenue	12,769,581	9,976,151
Profit Before Taxation	1,276,685	856,276
Net Profit For The Year	955,813	679,310
Share Capital	546,072	537,711
Reserves	2,976,181	2,592,374
Basic Earnings Per Share*	52.3 sen	44.6 sen
Dividend Per Share*		
- Gross	37.0 sen	30.0 sen
- Net	29.8 sen	22.1 sen
Net Assets Per Share*	322 sen	291 sen

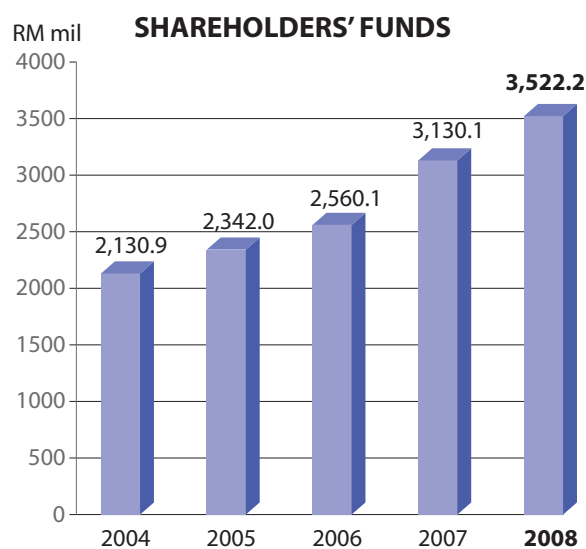
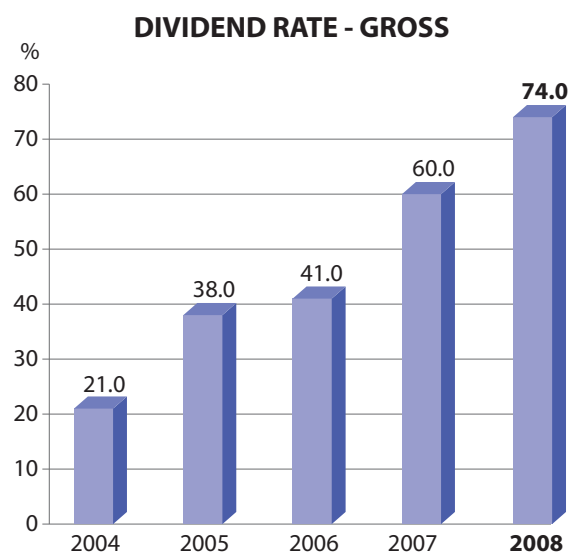
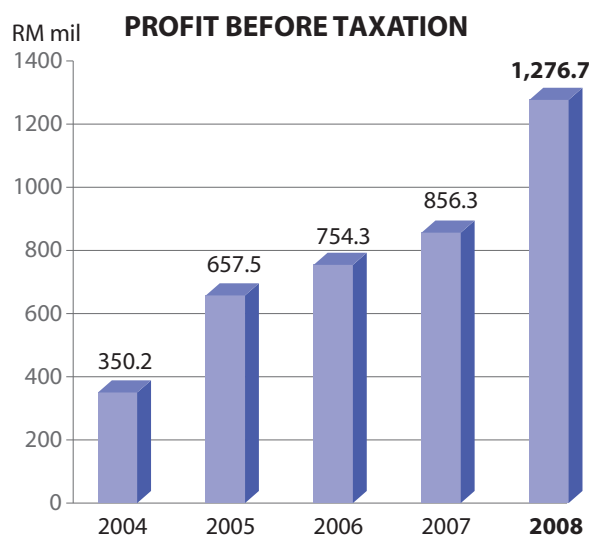
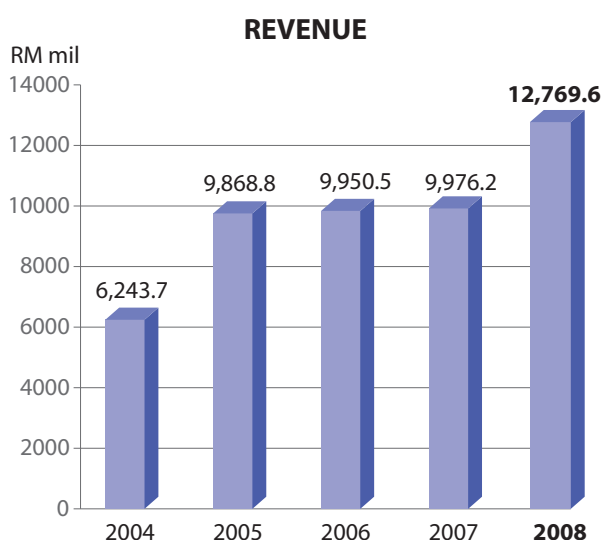
* After taking into account the effects of the UMW Share Split that was completed in March 2008.

FIVE-YEAR GROUP SUMMARY RESULTS

		2004	2005	2006	2007	2008
Revenue	RM million	6,243.7	9,868.8	9,950.5	9,976.2	12,769.6
Profit Before Taxation	RM million	350.2	657.5#	754.3	856.3	1,276.7
Profit Attributable To Equity Holders Of The Company	RM million	164.9	284.2	305.9	469.1	565.8
Shareholders' Funds	RM million	2,130.9	2,342.0	2,560.1	3,130.1	3,522.2
Return On Shareholders' Funds	%	8.1	12.7	12.5	16.5	17.0
Return On Total Assets	%	8.9	11.5#	14.8	13.2	16.3
Dividend Rate - Gross	%	21.0	38.0	41.0	60.0	74.0
Basic Earnings Per Share*	Sen	17.3	28.1	30.2	44.6	52.3
Net Assets Per Share*	RM	2.14	2.31	2.51	2.91	3.22

* After taking into account the effects of the UMW Share Split that was completed in March 2008.

Restated in compliance with new Financial Reporting Standards.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Group Chairman

Tan Sri Datuk Asmat bin Kamaludin
(Non-Independent Non-Executive Director)

Group Managing Director & Chief Executive Officer

Dato' Abdul Halim bin Harun
(Non-Independent Executive Director)

Directors

Tan Sri Datuk Mohamed Khatib bin Abdul Hamid
(Non-Independent Non-Executive Director)

Tan Sri Dato' Mohamed Noordin bin Hassan
(Independent Non-Executive Director)

Dato' Ir. Lee Yee Cheong
(Independent Non-Executive Director)

Dr. Leong Chik Weng
(Independent Non-Executive Director)

Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani
(Non-Independent Non-Executive Director)

Mohd. Nizam bin Zainordin
(Non-Independent Non-Executive Director)

Audit Committee

Tan Sri Dato' Mohamed Noordin bin Hassan (Chairman)
Dato' Ir. Lee Yee Cheong
Dr. Leong Chik Weng
Mohd. Nizam bin Zainordin

Nomination Committee

Dato' Ir. Lee Yee Cheong (Chairman)
Tan Sri Dato' Mohamed Noordin bin Hassan
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani

Remuneration Committee

Tan Sri Datuk Mohamed Khatib bin Abdul Hamid
(Chairman)
Dr. Leong Chik Weng

Group Secretary

Suseela Menon (MAICSA 7028386)

Registered Office

UMW Holdings Berhad (090278-P)
3rd Floor, The Corporate, No. 10, Jalan Utas (15/7),
Batu Tiga Industrial Estate, 40200 Shah Alam,
Selangor Darul Ehsan, Malaysia.
Telephone : (603) 51635000
Facsimile : (603) 55193890

Share Registration Office

Securities Services (Holdings) Sdn. Bhd. (36869-T)
Level 7, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara,
50490 Kuala Lumpur, Malaysia.
Telephone : (603) 20849000
Facsimile : (603) 20949940

Auditors

Ernst & Young
Level 23A, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara,
50490 Kuala Lumpur, Malaysia.
Telephone : (603) 20877000
Facsimile : (603) 20955332

Principal Bankers

Affin Bank Berhad
Affin Labuan Offshore
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Bank Islam (Malaysia) Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
CIMB Bank Berhad
CIMB Bank (L) Limited
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Maybank International (L) Ltd.
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Bank Malaysia Berhad
Standard Chartered Bank, Offshore Labuan

Stock Exchange Listing

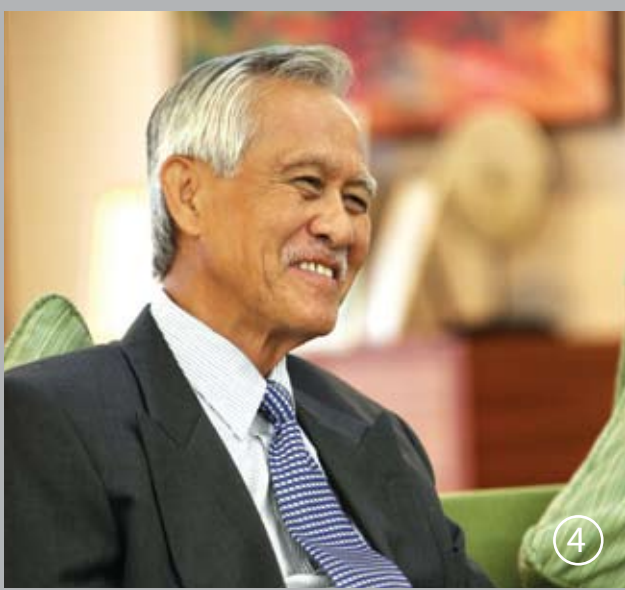
Main Board
Bursa Malaysia Securities Berhad

Website

www.umw.com.my



BOARD OF DIRECTORS





- ① TAN SRI DATUK ASMAT BIN KAMALUDIN
- ② DATO' ABDUL HALIM BIN HARUN
- ③ TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID
- ④ TAN SRI DATO' MOHAMED NOORDIN BIN HASSAN
- ⑤ DATO' IR. LEE YEE CHEONG
- ⑥ DR. LEONG CHIK WENG
- ⑦ DATO' DR. NIK NORZRUL THANI BIN N.HASSAN THANI
- ⑧ MOHD. NIZAM BIN ZAINORDIN
- ⑨ SUSEELA MENON (Group Secretary/Executive Director, UMW Corporation)



DIRECTORS' PROFILE

TAN SRI DATUK ASMAT BIN KAMALUDIN GROUP CHAIRMAN

Non-Independent Non-Executive Director

Tan Sri Datuk Asmat bin Kamaludin was appointed to the Board of Directors of UMW Holdings Berhad as Group Chairman on 20 February 2001. A Malaysian, aged 65, he obtained his Bachelor of Arts (Hons.) degree in Economics from the University of Malaya in 1966 and subsequently obtained a Diploma in European Economic Integration from the University of Amsterdam in 1970. He had a distinguished career with the Ministry of International Trade and Industry ("MITI") spanning over 35 years, culminating with his retirement as Secretary-General in January 2001. He had served as Economic Counsellor for Malaysia in Brussels and worked with several international bodies such as the Association of South-East Asian Nations, World Trade Organisation and Asia-Pacific Economic Cooperation, representing Malaysia in relevant negotiations and agreements. He was also actively involved in several national organisations such as Johor Corporation, Small and Medium Scale Industries Development Corporation and Malaysia External Trade Development Corporation. Tan Sri Datuk Asmat is also

Non-Executive Chairman of Panasonic Manufacturing Malaysia Berhad, Symphony House Berhad, Scomi Group Berhad, Trans-Asia Shipping Corporation Berhad and Compugates Holdings Berhad, and Non-Executive Vice-Chairman of YTL Cement Berhad. He sits on the Board of Malaysian Pacific Industries Berhad, Lion Industries Corporation Berhad, Permodalan Nasional Berhad, The Royal Bank of Scotland Berhad and Japan Chamber of Trade and Industry in Malaysia Foundation. He was recently appointed by MITI to represent Malaysia as Governor on the Governing Board of the Economic Research Institute for Asean and East Asia. Tan Sri Datuk Asmat is not related to any Director and/or major shareholder of UMW Holdings Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He has no personal interest in any business arrangements involving UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. Tan Sri Datuk Asmat attended all eight (8) Board meetings held in the financial year.



DATO' ABDUL HALIM BIN HARUN
GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Non-Independent Executive Director

Dato' Abdul Halim bin Harun was appointed to the Board of Directors of UMW Holdings Berhad on 15 October 1990, before becoming the current Group Managing Director & Chief Executive Officer on 5 April 2001. A Malaysian, aged 58, he received his formal education from Universiti Teknologi MARA and Emile Woolf College of Accountancy, United Kingdom. He is currently a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Member of the Malaysian Institute of Accountants. Dato' Abdul Halim started his career in an accounting firm, and over the years has worked in various capacities at various organisations within the administrative, accounting and financial fields. He is a member of the Malaysia-China Business Council, Malaysian Oil & Gas Services Council, Member of the Advisory Panel of Malaysia-Japan University Center, Member of the Advisory Board (Master of Science in

International Business), Universiti Utara Malaysia and a Member of the Board of Trustees, MERCY Malaysia. In 2007, he was awarded Malaysia's CEO of the Year by Business Times. He was also a finalist in Asia Business Leaders by CNBC Asia for 2007. Prior to joining UMW Holdings Berhad, Dato' Abdul Halim was the Managing Director of Klang Port Management Sdn. Bhd. and Klang Container Terminal Berhad. Dato' Abdul Halim is not related to any Director and/or major shareholder of UMW Holdings Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He has no personal interest in any business arrangements involving UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. Dato' Abdul Halim attended all eight (8) Board meetings held in the financial year.

TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID
Non-Independent Non-Executive Director

Tan Sri Datuk Mohamed Khatib bin Abdul Hamid was appointed to the Board of Directors of UMW Holdings Berhad on 7 September 2000 and is the Chairman of the Remuneration Committee of the Board. A Malaysian, aged 70, he obtained his Bachelor of Arts (Hons.) degree from the University of Malaya. Tan Sri Datuk Mohamed Khatib has, for over 36 years, served the Ministry of Foreign Affairs in various capacities with postings as Ambassador to Kuwait, Bahrain, UAE, Qatar and Oman, Indonesia and Japan. He has also been Special Envoy to the Prime Minister of Malaysia. Tan Sri Datuk Mohamed Khatib is the Chairman of Pantai Holdings Berhad, an

advisor to the Alumni Look East Policy Society and a member of the Executive Committee of the Malaysia-Japan Economic Association as well as the Corporate Malaysia Roundtable. Tan Sri Datuk Mohamed Khatib is not related to any Director and/or major shareholder of UMW Holdings Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He has no personal interest in any business arrangements involving UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. Tan Sri Datuk Mohamed Khatib attended seven (7) out of the eight (8) Board meetings held in the financial year.

TAN SRI DATO' MOHAMED NOORDIN BIN HASSAN

Independent Non-Executive Director

Tan Sri Dato' Mohamed Noordin bin Hassan was appointed to the Board of Directors of UMW Holdings Berhad on 10 December 2003 and is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. A Malaysian, aged 69, he obtained his Bachelor of Arts (Hons.) degree in Economics from the University of Malaya and a Masters degree in Public & International Affairs from the University of Pittsburgh, USA. He served for over 40 years in the corporate sector and various Government Departments at District, State and Federal Levels including as Deputy Secretary-General, Ministry of International Trade and Industry, Secretary-General, Ministry of Science, Technology & Environment and Secretary-General, Ministry of Education. Upon

his retirement in 1994, Tan Sri Dato' Mohamed Noordin joined Petronas Berhad as Vice-President, Human Resource Management and later was appointed as Vice-President, Education. He left Petronas at the end of 2000. Currently, Tan Sri Dato' Mohamed Noordin is also the Chairman of DNP Holdings Berhad ("DNP"), a public-listed company. He also sits on the boards of a number of DNP's subsidiaries. Tan Sri Dato' Mohamed Noordin is not related to any Director and/or major shareholder of UMW Holdings Berhad. He has no personal interest in any business arrangements involving UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. He attended all eight (8) Board meetings held in the financial year.

DATO' IR. LEE YEE CHEONG

Independent Non-Executive Director

Dato' Ir. Lee Yee Cheong was appointed to the Board of Directors of UMW Holdings Berhad on 6 December 2001 and is the Chairman of the Nomination Committee and a member of the Audit Committee of the Board. A Malaysian, aged 72, he obtained his Bachelor of Engineering (Electrical) (Hons.) degree from the University of Adelaide, South Australia. He served the National Electricity Board in various positions until 1979. From 1980 to 1992, he was Electrical Director and later Managing Director of Tenaga Ewbank Preece (M) Sdn. Bhd. He left to join KTA Tenaga Sdn. Bhd. as Chief Executive Officer from 1993 to 2002. Dato' Ir. Lee was the President of the Institution of Engineers Malaysia, a member of the Board of Engineers Malaysia and the Board of Architects Malaysia. He served as President of the World Federation

of Engineering Organisations from 2003 to 2005. He is also the Honorary President of the Commonwealth Engineers Council, President of the ASEAN Academy of Engineering and Technology, Director of the Malaysia-Australia Foundation and Senior Fellow of the Academy of Sciences Malaysia. He is the Commissioner of the Energy Commission Malaysia, Chairman, Governing Board, UNESCO International Science, Technology and Innovation Centre for South - South Cooperation and a member of the National Economic and Social Council, Kenya. Dato' Ir. Lee is not related to any Director and/or major shareholder of UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. He attended seven (7) out of the eight (8) Board meetings held in the financial year.

DR. LEONG CHIK WENG

Independent Non-Executive Director

Dr. Leong Chik Weng was appointed to the Board of Directors of UMW Holdings Berhad on 29 November 2007 and is a member of the Audit Committee and Remuneration Committee of the Board. He is also the Chairman of the UMW Employee Share Option Committee. A Malaysian, aged 46, he obtained his Ph.D in Chemical Engineering in 1989 from the University of Massachusetts, Amherst, USA. After graduation, he joined Raychem Corporation in Menlo Park, California where he was subsequently promoted as Technical Director. In 1997, Dr. Leong was appointed consultant to Guidant Corporation, one of the world's largest cardiovascular product companies,

where he developed an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. Dr. Leong is presently a Director of A-Rank Berhad. He is also the founder and Chief Executive Officer of e-Lock Corporation Sdn. Bhd., a company involved in the provision of information technology services. Dr. Leong is not related to any Director and/or major shareholder of UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. Dr. Leong attended all eight (8) Board meetings held in the financial year.

DATO' DR. NIK NORZRUL THANI BIN N.HASSAN THANI

Non-Independent Non-Executive Director

Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani was appointed to the Board of Directors of UMW Holdings Berhad on 13 August 2008 and is a member of the Nomination Committee of the Board. A Malaysian, aged 48, he obtained his Ph.D in Law from the School of Oriental and African Studies, University of London and his Masters in Law from Queen Mary and Westfield College, University of London. He read law at the University of Buckingham, United Kingdom. Dato' Dr. Nik Norzrul Thani also holds a Post-Graduate Diploma in Syariah Law and Practice (with Distinction) from the International Islamic University of Malaysia. He is a Barrister of Lincoln's Inn and an Advocate & Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a visiting Fulbright Scholar, Harvard Law School in 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Law, International

Islamic University Malaysia. Dato' Dr. Nik Norzrul Thani is a Fellow of the Chartered Institute of Marketing (United Kingdom) and is also a Fellow of the Financial Services Institute of Australia. Currently, Dato' Dr. Nik Norzrul Thani is a practising lawyer with Zaid Ibrahim & Co. Prior to joining Zaid Ibrahim & Co., he was with Baker & McKenzie (International Lawyers), Singapore. He sits on the Boards of Fraser & Neave Holdings Berhad and Al Rajhi Banking & Investment Corporation (Malaysia) Berhad. Dato' Dr. Nik Norzrul Thani is not related to any Director and/or major shareholder of UMW Holdings Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He has no personal interest in any business arrangements involving UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. He attended all three (3) out of the three (3) Board meetings held after his appointment.

MOHD. NIZAM BIN ZAINORDIN

Non-Independent Non-Executive Director

Mohd. Nizam bin Zainordin was appointed to the Board of Directors of UMW Holdings Berhad on 13 August 2008 and is a member of the Audit Committee of the Board. A Malaysian, aged 45, he is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom). He is also a Member of the Malaysian Institute of Accountants and is a Certified Financial Planner. He has held various positions in Permodalan Nasional Berhad (from February 1994 - to date), beginning from Assistant Manager, Finance Department, to his present position as Senior Vice-President I, Finance & Investment Processing Division. He holds an Executive Masters in Business

Administration from the Asian Institute of Management, Manila. Mohd. Nizam is presently a Director of Pengurusan Pelaburan ASW 2020 Berhad, Pengurusan Pelaburan ASN Berhad and Lanjut Golf Berhad. Mohd. Nizam is not related to any Director and/or major shareholder of UMW Holdings Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He has no personal interest in any business arrangements involving UMW Holdings Berhad and has not been convicted of any offences within the past ten (10) years. He attended all three (3) out of the three (3) Board meetings held after his appointment.



MANAGEMENT COMMITTEE



FROM LEFT TO RIGHT :

1. ZULKIFLY BIN ZAKARIA
2. AMINAR RASHID BIN SALLEH
3. IBRAHIM BIN ABU BAKAR
4. CHEW CHEE LOON
5. MEOR MOHAR AZHAR BIN ABD. GHANI
6. DATO' ABDUL HALIM BIN HARUN
7. SUSEELA MENON
8. ZAILAN BIN AHMAD
9. KUAH KOCK HENG

AUDIT COMMITTEE

CHAIRMAN

Tan Sri Dato' Mohamed Noordin bin Hassan
(Independent Non-Executive Director)

MEMBERS

Dato' Ir. Lee Yee Cheong
(Independent Non-Executive Director)

Dr. Leong Chik Weng
(Independent Non-Executive Director)

Mohd. Nizam bin Zainordin
(Non-Independent Non-Executive Director)

SECRETARY

Suseela Menon
(Executive Director, UMW Corporation)

The Audit Committee of the Board was established in 1992 with the primary objective of assisting the Board of UMW Holdings Berhad in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes, and management and financial reporting practices of the Group.

MEMBERSHIP

Composition

The Audit Committee comprises four (4) Non-Executive Directors (the majority being Independent Directors), namely, Tan Sri Dato' Mohamed Noordin bin Hassan, Dato' Ir. Lee Yee Cheong, Dr. Leong Chik Weng and Mohd. Nizam bin Zainordin.

Mohd. Nizam bin Zainordin is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom). He is also a Member of the Malaysian Institute of Accountants and is a Certified Financial Planner.

The term of office and performance of the Audit Committee and each of the members is reviewed by the Board at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference. The evaluation in respect of the performance of the Audit Committee as a whole, the Chairman of the Audit Committee and individual Audit Committee members for year 2004 - 2007 has been completed.

TERMS OF REFERENCE

Functions

The Audit Committee's functions are as follows and to review, evaluate and report to the Board on these matters -

1. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal.
2. To discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination where more than one audit firm is involved.
3. To review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on -
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
4. To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary), and to review the external auditors' management letter and management's response.

AUDIT COMMITTEE (CONT'D.)

5. To ensure that the Internal Audit Division ("IAD") is adequately resourced and has appropriate standing within the Group, and to formulate the terms of reference of the IAD.
6. To review the IAD's annual audit plan and all reports generated by the IAD and to issue instructions for further action to be taken by the IAD, and provide general guidance to the IAD.
7. To consider the major findings of internal investigations (by internal and external auditors) and management's response.
8. To review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group.
9. To consider any related party transactions that may arise within the Group.
10. To verify and confirm the allocation of share options pursuant to the UMW Employee Share Option Scheme ("UMW ESOS") as being in compliance with the criteria set out in the By-Laws of the UMW ESOS.
11. To consider other topics as defined by the Board.

Meetings, Quorum and Procedures

The Audit Committee meets on a quarterly basis to carry out its functions although additional meetings may be called for by the Chairman at his discretion. The quorum for each meeting is two (2) and the majority of members present to form a quorum in respect of such meetings must be Independent Non-Executive Directors.

The Group Managing Director & Chief Executive Officer, the Executive Director, Group Finance and Administration, the Head of the Group Internal Audit Division and a representative of the external auditors attend meetings at the invitation of the Audit Committee. The Committee met with the external auditors twice during the year under review, without the presence of any executive or Executive Board member.

The Audit Committee decides on its own administrative procedures to effectively discharge its responsibilities.

During the year ended 31 December 2008, the Committee met six (6) times, i.e., on 27 February 2008, 16 April 2008, 23 May 2008, 24 June 2008, 20 August 2008 and 18 November 2008. Tan Sri Dato' Mohamed Noordin bin Hassan and Dato' Ir. Lee Yee Cheong attended all six (6) meetings held in the year under review whilst Dr. Leong Chik Weng and Mohd. Nizam bin Zainordin attended the two (2) Audit Committee meetings held after their appointment on 13 August 2008.

Reports/Minutes

Minutes of each meeting are kept by the Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee reports to the Board after each Audit Committee meeting. The approved minutes of Audit Committee meetings are forwarded to Board members for information and significant issues are discussed at Board Meetings.

Summary of Activities

The following activities were carried out by the Audit Committee during the financial year ended 31 December 2008 -

1. Reviewed the 2008 audit planning memorandum prepared by the internal and external auditors to ensure adequate scope and comprehensive coverage over the activities of the UMW Group.
2. Reviewed the UMW Group's 2008 objectives/plans/budgets and enterprise risk management framework.
3. Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the IAD.
4. Discussed the impact of new MASB standards, reporting updates and implementation of new financial reporting standards in 2008.
5. Discussed the audit timetable and the proposed audit fees for the UMW Group for the financial year 2008.
6. Reviewed the quarterly financial results of the UMW Group prior to recommending them for Board approval.

AUDIT COMMITTEE (CONT'D.)

7. Reviewed the annual audited financial statements of the UMW Group for the year ended 31 December 2007 with the external auditors to ensure compliance with all legal and regulatory requirements prior to submission to the Board for approval.
8. Reviewed the internal audit reports covering the performance of companies/branches audited in the fourth quarter of 2007 and in the first, second and third quarters of 2008, and the reports generated in the financial year ended 31 December 2008 by the IAD.
9. Reviewed the Statement on Internal Controls in respect of the year ended 31 December 2007, including the statement on Risk Management.
10. Reviewed the related party transactions entered into by UMW Holdings Berhad and/or its Group of Companies with related parties.
11. Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of a revenue or trading nature prior to recommending it for Board approval.
12. Reviewed internal audit reports which were tabled during the year, the audit recommendations made and management's response to these recommendations, and ensured that material findings were adequately addressed by management.
13. Monitored corrective actions on the outstanding audit issues to ensure that all key risks and control lapses, have been addressed.
14. Verified and confirmed the allocation of share options to employees of the UMW Group, as being in compliance with the criteria referred to in the By-Laws of the UMW ESOS.
15. Reviewed the resources of the IAD, its enhanced job scope and career path development of staff to improve the effectiveness and efficiency of the IAD.

INTERNAL AUDIT DIVISION

The IAD is independent of business operations and has a group-wide mandate set out in its Audit Charter. IAD carries out its functions in accordance with an Annual Internal Audit Plan approved each year by the Audit Committee. The IAD performs routine audit on and reviews all operating units within the UMW Group with emphasis on principal risk areas. The IAD reports directly to the Audit Committee of the Board on major findings and any significant control issues and concerns. The Head of the IAD attends all Audit Committee meetings.

During the financial year ended 31 December 2008, the IAD carried out audits of 139 business units in the UMW Group. A total of 40 reports relating to the audit of companies/branches in the fourth quarter of 2007 and the first, second and third quarters of 2008, generated in the financial year, were reviewed by the Audit Committee.

Details of the activities of the IAD are set out in the Statement on Internal Controls on page 60 of this annual report.

STATEMENT ON EMPLOYEE SHARE OPTION SCHEME

The Audit Committee hereby verifies that during the financial year ended 31 December 2008, the allocation of share options pursuant to the UMW ESOS to eligible employees in the UMW Group had been made in accordance with the criteria of allocation of share options set out in the By-Laws and guidelines governing the UMW ESOS.

There were no share options offered to and exercised by Non-Executive Directors of the Board for the financial year under review.

NOMINATION COMMITTEE

CHAIRMAN

Dato' Ir. Lee Yee Cheong
(Independent Non-Executive Director)

MEMBERS

Tan Sri Dato' Mohamed Noordin bin Hassan
(Independent Non-Executive Director)

Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani
(Non-Independent Non-Executive Director)

SECRETARY

Suseela Menon
(Executive Director, UMW Corporation)

The Nomination Committee is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board vacancies at the holding company level as well as in its subsidiaries and associated companies. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

MEMBERSHIP

Composition

The Nomination Committee comprises three (3) Non-Executive Directors (the majority being Independent Directors), namely, Dato' Ir. Lee Yee Cheong, Tan Sri Dato' Mohamed Noordin bin Hassan and Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani. Dato' Ir. Lee Yee Cheong assumed the position of Chairman of the Nomination Committee in August 2008 in place of Tan Sri Datuk Mohamed Khatib bin Abdul Hamid, following the re-composition of the Nomination Committee. Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani was appointed to the Nomination Committee on 13 August 2008.

TERMS OF REFERENCE

Functions

The Nomination Committee's primary functions are as follows -

1. To identify and recommend new nominees to the Boards of UMW Holdings Berhad and its subsidiaries

and associated companies, whether to be filled by Board members, shareholders, or executives. The Committee also considers candidates for directorships proposed by the Group Managing Director & Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder.

2. To make recommendations to the Board on -

- Directors filling seats on Board Committees;
- Plans for succession for Directors and senior management and ensuring that there is an appropriate balance of skills on the Board;
- Review of re-appointment of Directors retiring by rotation pursuant to the provisions of the Articles of Association of the Company and the regulations of Bursa Securities Listing Requirements;
- Review of re-appointment of Non-Executive Directors at the conclusion of a specified term of office, generally ten (10) years; and
- Review of re-appointment of Non-Executive Directors upon attainment of the age of 70 years pursuant to Section 129(6) of the Companies Act, 1965.

3. To assist the Board in annually reviewing the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

4. To annually carry out the process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-

NOMINATION COMMITTEE (CONT'D.)

Executive Directors, and to identify areas for improvement.

In reviewing the performance of the Board as a whole and the contribution of the Chairman and individual Directors, performance was assessed and measured against, amongst others, the Group's strategic plan, principal duties expected of the Board, the Chairman and individual Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution. Board self-assessment allows the Board to collectively identify opportunities to improve processes.

The evaluation process takes into account whether -

- Adequate time has been allocated by Non-Executive Directors on matters pertaining to the Group's operations;
- Full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
- Review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;
- Appropriate recommendations have been made to the Board for the re-election/re-appointment of Non-Executive Directors who have served a term of office of ten (10) years or who have attained the age of 70 years; and
- Review of the leadership needs of the Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.

5. To review management's proposals for the appointment, dismissal, transfer and promotion of the senior-most executives in the Group (to/in Grades 22 and above).

Selection Process

The following selection process applies -

1. Potential candidates are referred to the Nomination Committee for consideration by the Committee and subsequently for recommendation to the Board.

2. The Committee will determine appropriate means for seeking additional candidates, including engagement of external consultants to assist the Committee in the identification of candidates.
3. Shareholders who wish to suggest candidates should submit their suggestions in writing to the Chairman of the Board, Nomination Committee, Group Managing Director & Chief Executive Officer or Company Secretary, providing relevant information about the candidates.
4. The Committee shall decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy, the members of the Nomination Committee shall initiate efforts to identify appropriate candidates.
5. In formulating its recommendation, the Nomination Committee will consider not only the findings and conclusions of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented on the Board and whether the candidate can provide such additional attributes, capabilities or qualifications.

Meetings, Quorum and Procedures

Meetings are held as and when necessary. The quorum for each meeting is two (2). The Committee will decide its own procedures and other administrative arrangements.

During the year ended 31 December 2008, the Committee met five (5) times, i.e., on 28 February 2008, 17 April 2008, 23 May 2008, 4 August 2008 and 20 August 2008. Dato' Ir. Lee Yee Cheong and Tan Sri Dato' Mohamed Noordin bin Hassan attended all five (5) meetings held in the year under review whilst Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani attended the one (1) Nomination Committee meeting held after his appointment.

Reports/Minutes

Minutes of each meeting are kept by the Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee reports to the Board after each Nomination Committee meeting.

REMUNERATION COMMITTEE

CHAIRMAN

Tan Sri Datuk Mohamed Khatib bin Abdul Hamid
(Non-Independent Non-Executive Director)

MEMBER

Dr. Leong Chik Weng
(Independent Non-Executive Director)

SECRETARY

Suseela Menon
(Executive Director, UMW Corporation)

The Remuneration Committee is responsible for developing the Group's remuneration policy framework and determining the remuneration package of Executive Directors and members of the senior management of the Group.

MEMBERSHIP

Composition

The Remuneration Committee comprises two (2) members both of whom are Non-Executive Directors, namely, Tan Sri Datuk Mohamed Khatib bin Abdul Hamid and Dr. Leong Chik Weng. Tan Sri Datuk Mohamed Khatib bin Abdul Hamid was appointed to the Remuneration Committee and assumed the position of Chairman of the Remuneration Committee in August 2008 in place of Dato' Thomas Mun Lung Lee, following the latter's retirement from the Board.

TERMS OF REFERENCE

Functions

The Remuneration Committee's primary functions include -

1. To review and recommend to the Board the remuneration of Executive Directors and all executives in Grades 22 and above, including the extension of service and compensation and benefits package of such executives who have attained the retirement age of 55 years.
2. To recommend to the Board after reviewing management's proposals -

- (a) overall annual salary increment guidelines/limits for all non-unionised staff;
- (b) annual bonus limits/guidelines;
- (c) ex-gratia for unionised staff; and
- (d) remuneration, benefits and other terms and conditions of employment, which have to be introduced as part of the Group's overall human resource development plan. This would include matters such as pegging the Group's salaries in line with industry standards and major changes in benefits package.

Meetings, Quorum and Procedures

Meetings are held as and when necessary. The quorum for each meeting is two (2). The Group Managing Director & Chief Executive Officer attends and makes presentations at meetings, whenever business is not related to Executive Directors' remuneration. The Committee decides its own procedures and other administrative arrangements.

During the year ended 31 December 2008, the Committee met five (5) times, i.e., on 28 February 2008, 17 April 2008, 23 May 2008, 17 November 2008 and 3 December 2008. Tan Sri Datuk Mohamed Khatib bin Abdul Hamid and Dr. Leong Chik Weng attended the two (2) meetings held after their appointment in August 2008.

Reports/Minutes

Minutes of each meeting are kept by the Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee reports to the Board after each Remuneration Committee meeting.

UMW GROUP STRUCTURE



UMW HOLDINGS BERHAD 090278-P

UMW OIL & GAS BERHAD

798108-A

UMW Australia Ventures (L) Ltd.

LL06487

PFP Holdings Pty. Ltd., Australia

PFP (Aust) Holdings Pty. Ltd., Australia
 PFP (Aust) Pty. Ltd., Australia
 Cladtek (Malaysia) Sdn. Bhd.
 PFP Singapore Pte. Ltd., Singapore
 PFP (Shenzhen) Piping Materials Co., Ltd., China
 PFP Taiwan Co., Ltd., Taiwan
PFP (Malaysia) Sdn. Bhd.
 PFP Technologies Pty. Ltd., Australia
 Cladtek International Pty. Ltd., Australia
 PT Cladtek Bi Metal Manufacturing, Indonesia
 PT Cladtek International, Indonesia

UMW Malaysian Ventures Sdn. Bhd.

834177-K

Synergistic Generation Sdn. Bhd.

SG Power Systems Sdn. Bhd.
 SG Engineering & Services Sdn. Bhd.

UMW CORPORATION SDN. BHD.

009825-V

AUTOMOTIVE

UMW Toyota Motor Sdn. Bhd.

Assembly Services Sdn. Bhd.
 Automotive Industries Sendirian Berhad
 Toyota Boshoku UMW Sdn. Bhd.

Otomobil Sejahtera Sdn. Bhd.

UMW Toyotsu Motors Sdn. Bhd.

Perusahaan Otomobil Kedua Sdn. Bhd.

Perodua Sales Sdn. Bhd.
Perodua Auto Corporation Sdn. Bhd.
Perodua Manufacturing Sdn. Bhd.
Perodua Engine Manufacturing Sdn. Bhd.

EQUIPMENT

UMW Equipment Sdn. Bhd.

UMW (East Malaysia) Sdn. Bhd.

UMW Niugini Limited, Papua New Guinea

UMW Machinery Limited, Myanmar

UMW Engineering Services Limited, Myanmar

UMW Industries (1985) Sdn. Bhd.

UMW Industrial Power Sdn. Bhd.

UMW Equipment & Engineering Pte. Ltd., Singapore

UMW Equipment Systems Pte. Ltd., Singapore

UMW Equipment Systems (Vietnam) Company Limited, Vietnam

UMW Industrial Trading (Shanghai) Co., Ltd., China

UMW Industrial Equipment (Shanghai) Co., Ltd., China

Vision Fleet Equipment Leasing (Shanghai) Co., Ltd., China

UMW PETROPIPE (L) LTD. LL 03753

OIL & GAS

UMW China Ventures (L) Ltd.

WSP Holdings Limited, Cayman Islands
First Space Holdings Limited, British Virgin Islands
Wuxi Seamless Oil Pipe Co., Ltd., China

UMW Oilfield International (L) Ltd.

Tubulars International Pte. Ltd., Singapore

UMW ACE (BVI) Ltd., British Virgin Islands

Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China

UMW Linepipe (L) Ltd.

Shanghai BSW Petro-pipe Co., Ltd., China

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China

Jiangsu Tube-Cote Shuguang Coating Co., Ltd., China

UMW Naga Two (L) Ltd.

UMW Standard 1 Pte. Ltd., Singapore
UMW Standard 3 Pte. Ltd., Singapore

UMW Coating Technologies (Tianjin) Co., Ltd., China

Vina Offshore Holdings Pte. Ltd., Singapore

Vietnam Offshore Fabrication & Engineering Co. Ltd., Vietnam
Offshore Fabrication Pte. Ltd., Singapore
Helmsion Engineering Pte. Ltd., Singapore
Offshore Construction Services Pte. Ltd., Singapore

Multicoat Coating Technologies Private Limited, India

UMW India Ventures (L) Ltd.

United Seamless Tubular Private Limited, India
Oil Country Tubular Limited, India
UMW Sher (L) Ltd.
Jaybee Drilling Private Limited, India

UMW Oilpipe Services (Turkmenistan) Ltd., Turkmenistan

Multicoat Surfaces Private Limited, India

UMW Singapore Ventures Pte. Ltd., Singapore

UMW Offshore Investment (L) Ltd.

MANUFACTURING & ENGINEERING

UMW Advantech Sdn. Bhd.

UMW Auto Parts Sdn. Bhd.

Lubetech Sdn. Bhd.
UMW Pennzoil Distributors
Sdn. Bhd.

KYB-UMW Malaysia Sdn. Bhd.

KYB-UMW Steering Malaysia
Sdn. Bhd.

Coldfusion Engineering Sdn. Bhd.

Lubritech International Holdings Limited, Hong Kong

OIL & GAS

UMW Petrodril (Malaysia) Sdn. Bhd.

UMW Pressure Control Sdn. Bhd.

UMW Fabritech Sdn. Bhd.

UMW Oilfield International (M) Sdn. Bhd.

UMW Oilpipe Services Sdn. Bhd.

UOT (Thailand) Limited, Thailand
Oil-Tex (Thailand) Company Limited, Thailand

UMW Oilfield Services (Tianjin) Co., Limited, China

UMW Drilling Co. Ltd.

UMW JDC Drilling Sdn. Bhd.

UMW Standard Drilling Sdn. Bhd.

MK Autocomponents Limited

Sathya Auto Private Limited, India
Castwel Auto Parts Private Limited, India

MK Automotive Industries Limited

Dongshin Motech Private Limited, India

SUPPORT OPERATIONS

Toyota Capital Malaysia Sdn. Bhd.

(Formerly known as UMW
Toyota Capital Sdn. Bhd.)
Seabanc Kredit Sdn. Bhd.
Toyota Capital Acceptance
Malaysia Sdn. Bhd.
(Formerly known as Seabanc
Acceptance Sdn. Bhd.)
Toyota Lease Malaysia
Sdn. Bhd.

U-Insurance Sdn. Bhd.

U-TravelWide Sdn. Bhd.

U E-Technologies Sdn. Bhd.

Inobel Sdn. Bhd.

UMW-PNSB Development Sdn. Bhd.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2008 WAS NOT JUST ANY RECORD-BREAKING YEAR FOR UMW. IT WAS THE FIRST TIME EVER THAT WE CROSSED THE RM1 BILLION MARK IN PROFIT BEFORE TAXATION IN OUR 91-YEAR HISTORY! IT WAS ALSO THE YEAR WHEN UMW TOYOTA MOTOR SDN. BHD. ("UMW TOYOTA MOTOR") EXCEEDED THE 100,000 UNITS SALES FIGURE. WE HAVE PERFORMED BEYOND EXPECTATIONS AND HAVE BROKEN NEW RECORDS IN TERMS OF PERFORMANCE.



TAN SRI DATUK ASMAT BIN KAMALUDIN



The Group achieved a record revenue of RM12.8 billion compared to RM10 billion in 2007. This was attributable to the impressive contributions from the various business units in the Group.

Our Automotive Division continued to be the main contributor to Group profits. UMW Toyota Motor retained its leadership position in the non-national segment for the nineteenth consecutive year with sales of 101,839 units, representing an overall market share of 18.6%. Our associated company, Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") remained the country's top performer in the Automotive industry, with sales of 167,393 units, giving it a market share of 30.5%.

The total number of Lexus, Toyota and Perodua units sold in 2008 stood at 269,232, which represented just about half of Malaysia's automotive market share of a total industry volume ("TIV") of 548,115 units as reported by the Malaysian Automotive Association.

All our other divisions recorded strong growth in 2008, contributing to the record performance of UMW.

A brand audit conducted recently shows that our rebranding exercise, launched externally in January 2008,

was an outstanding success. The initiatives under this programme have boosted our image not only locally but also abroad, helping to create more global business opportunities and to have a more engaged work-force. Our brand-aligned and comprehensive Corporate Social Responsibility strategy paved the way for us to achieve an A+ rating from Global Reporting Initiatives (GRI) Collaborating Centre of the United Nations Environment programme. Our successes in 2008 indeed mirrored our rallying call for The New UMW – "*Beyond Boundaries*", as we embarked on a positive journey to increase the image, productivity, efficiency and performance of the Group.

FINANCIAL PERFORMANCE

FOR THE YEAR 2008, THE UMW GROUP RECORDED A PROFIT BEFORE TAXATION OF RM1,276.7 MILLION, WHICH WAS A 49% INCREASE OVER THE RM856.3 MILLION REGISTERED IN 2007.

The Group's net profit attributable to equity holders stood at RM565.8 million, an increase of 21% or RM96.7 million from the RM469.1 million registered in 2007.

HIGHLIGHTS



AUTOMOTIVE

THE AUTOMOTIVE DIVISION'S EXCELLENT PERFORMANCE IN 2008 WAS ATTRIBUTABLE TO THE STRONG SHOWING OF BOTH OUR TOYOTA AND PERODUA MARQUES, WITH NEW AND FACE-LIFTED MODELS, EXCELLENT AFTER-SALES SUPPORT AND AN EXTENSIVE BRANCH AND DEALER NETWORK THROUGHOUT THE COUNTRY. THE DIVISION DEMONSTRATED ITS RESILIENCE EVEN IN THE GLOBAL FINANCIAL TURMOIL THAT HIT THE INDUSTRY HARD, ESPECIALLY IN THE LAST QUARTER OF THE YEAR, TO EMERGE AS A CLEAR MARKET LEADER IN MALAYSIA'S AUTOMOTIVE INDUSTRY.

UMW Toyota Motor won a number of awards in 2008 – the prestigious "New Straits Times/Maybank Car of the Year" Award for the Avanza as Malaysia's Top Selling Non-National Car, the Asian Auto-VCA Auto Industry Award 2008 for Altis as the "Best Value for Money Executive Sedan", and we emerged top in JD Power Survey's Sales Satisfaction Index and Customer Satisfaction Index.

Perodua's Myvi model continues to attract substantial orders, with sales of 88,225 units in 2008. The Viva was the 2008 winner in Frost and Sullivan's "Best Value for Money Model of the Year".



OIL & GAS

UMW OIL & GAS DIVISION PERFORMED SATISFACTORILY, WITH REVENUE IMPROVEMENT OF 49% OVER THAT OF 2007.

Our associated company, WSP Holdings Limited, which is listed on the New York Stock Exchange, achieved a higher net income of USD99.3 million, an increase of 33%. The company's sales output for 2008 rose by 38% to 608,516 metric tonnes.

UMW Petrodril (Malaysia) Sdn. Bhd.'s three (3) workover rigs, UP GAIT I, II and III, were also actively deployed in 2008 and they generated favourable returns on investment for the company.

Meanwhile, NAGA 1, our semi-submersible rig which is jointly-owned by UMW and Japan Drilling Company, was successfully refurbished and upgraded in the year under review. Consequently, we will be able to extend the rig's competitiveness and lifespan as well as to maintain its excellent safety track record of zero loss time incidents.



EQUIPMENT

THE EQUIPMENT DIVISION CONTINUED ITS STELLAR PERFORMANCE FROM THE PRECEDING YEAR INTO 2008, WITH STRONG GROWTH OF BOTH HEAVY AND INDUSTRIAL EQUIPMENT SALES. REVENUE INCREASED BY 12% AND CONTRIBUTIONS FROM OUR OVERSEAS OPERATIONS ROSE SIGNIFICANTLY. A FLEET MAINTENANCE CONTRACT WAS IMPLEMENTED IN PAPUA NEW GUINEA WHILE OUR MYANMAR OPERATIONS SAW A THIRD YEAR OF RECORD PERFORMANCE WITH STRONG DELIVERY OF MACHINES TO THE JADE MINING, CONSTRUCTION AND AGRICULTURAL SECTORS AS WELL AS PARTS SALES TO THE PRIVATE AND GOVERNMENT SECTORS.

We are market leaders in the Heavy Equipment industry. Our Komatsu products enjoy a market share of more than 30% in Malaysia, securing us the market leadership position in 2008. We are No. 1 in Papua New Guinea, supplying more than half of the total market demand. We have almost a quarter of the total market share in Myanmar.

UMW Industries (1985) Sdn. Bhd. improved on its very dominant market leadership position in the forklift market in Malaysia. Our forklift fleet management programme made good progress with another 17% increase in our fleet over 2007's fleet size.

UMW Industrial Power Sdn. Bhd. made a historical breakthrough with the securing of our first major order of ten (10) units of GE marine engines to a local shipbuilder. Marine engines and NGV installations contributed significantly to the marine and power division.

Our Singapore operations also retained a clear market leadership position in the forklift market in 2008. Meanwhile, our Vietnam operations saw an impressive double-digit growth of 38% in 2008.



MANUFACTURING & ENGINEERING

THE MANUFACTURING & ENGINEERING ("M&E") DIVISION PERFORMED SATISFACTORILY WITH TOTAL REVENUE REGISTERING A 26% INCREASE FROM THAT OF 2007.

The M&E Division's automotive components business grew 30% from the previous year, aided by better market conditions. There were also internal cost savings and productivity improvement. UMW Advantech Sdn. Bhd. maintained its pole position as an original equipment market CKD filter supplier, with over 60% share of the market.

Meanwhile, our Pennzoil business continued to grow in 2008, expanding its range to meet market needs.

KYB-UMW Malaysia Sdn. Bhd. achieved increased turnover of 13% in a competitive environment.

In 2008, UMW entered India's fast growing automotive components sector with investments in Sathya Auto Private Limited, Castwel Auto Parts Private Limited and Dongshin Motech Private Limited to manufacture stamped automotive body parts, aluminium gravity die castings, aluminium alloys, water pump body, mechanical jacks, radiator caps and other automotive components.

Our M&E Division hopes to achieve quantum growth in the future through recent new investments it has made overseas and also in areas outside its traditional automotive components markets.



CORPORATE SOCIAL RESPONSIBILITY

UMW OFFICIALLY LAUNCHED ITS MAIDEN CORPORATE SOCIAL RESPONSIBILITY ("CSR") REPORT IN AUGUST 2008. THIS REPORT, INDEPENDENTLY AUDITED BY BUREAU VERITAS, WAS AWARDED AN A+ CERTIFICATION FROM THE GLOBAL REPORTING INITIATIVES (GRI) COLLABORATING CENTRE OF THE UNITED NATIONS ENVIRONMENT PROGRAMME. UMW WAS THE FIRST COMPANY IN MALAYSIA TO HAVE ACHIEVED THIS TOP RATING IN THE G3 CATEGORY. THIS REPORT MARKS UMW'S RENEWED COMMITMENT TOWARDS CSR THAT COVERS NOT JUST SOCIAL OR CHARITABLE ACTIVITIES BUT ALSO THE MARKETPLACE, WORKPLACE, ENVIRONMENT AND THE COMMUNITY.

In 2008, we continued our support towards education through scholarships, recognition of and rewarding outstanding and deserving students, and "adoption" of two (2) more primary schools in Perak and Kelantan (in addition to the two (2) schools in Penang that we already "adopted" in 2007) through the PINTAR (or "Promoting Intelligence, Nurturing Talent, Advocating Responsibilities") Programme, a joint venture among Government-Linked Companies, the Ministry of Finance and the Ministry of Education,

aimed at improving student performance in rural areas. We also contributed to the underprivileged through gross proceeds from the annual Toyota Classics Concert which totalled RM444,900 this year and also through various other contributions. UMW continued to be one of the largest contributors to the Majlis Kanser Nasional payroll project. We also contributed RM75,000 towards MERCY operations in assisting Cyclone Nargis victims in Myanmar and RM250,000 to the China Earthquake Relief Fund, which included donations from UMW's very own employees and our overseas joint venture business partners.

We continued with our efforts to promote good environmental awareness and practices amongst the youth with our Toyota Eco Rangers Programme which was launched in June 2008. An extension of the bigger Toyota Eco Youth initiative, the programme "adopted" 22 secondary schools in the Klang Valley with students being encouraged to actively engage in various eco projects.

DIVIDEND

DURING THE YEAR, THE BOARD OF DIRECTORS DECLARED A FIRST INTERIM DIVIDEND OF 15.0 SEN PER SHARE OF RM0.50 EACH LESS 26% INCOME TAX AND A SECOND INTERIM DIVIDEND OF 10.0 SEN PER SHARE OF RM0.50 EACH LESS 25% INCOME TAX. THE BOARD IS RECOMMENDING A FINAL GROSS DIVIDEND OF 3.25 SEN PER SHARE OF RM0.50 EACH LESS 25% INCOME TAX, AND A SINGLE-TIER DIVIDEND OF 8.75 SEN PER SHARE OF RM0.50 EACH, WHICH WILL BRING THE GROSS DIVIDEND FOR THE YEAR TO 37.0 SEN PER SHARE OF RM0.50 EACH (2007 - 30.0 SEN PER SHARE OF RM0.50 EACH).

In 2007, the Board had announced a dividend payout policy of 50% of net profits. However, in view of the record performance of the Group in 2008, I am happy to inform you that the Board decided to recommend a payout of approximately 58% of net profits.

PROSPECTS AND FUTURE DIRECTION

2009 WILL UNDOUBTEDLY BE A CHALLENGING YEAR FOR THE GROUP. NEVERTHELESS, OUR BROAD AIM IS TO MAINTAIN OUR OVERALL MARKET SHARE AND ACHIEVE SATISFACTORY LEVELS OF PROFITABILITY.

We have implemented several proactive measures to mitigate the effects of the current economic conditions, including cost reduction measures, prioritising of investments and scrutinising of our cashflow requirements.

UMW Toyota Motor is likely to feel the brunt of the adverse effects of the declining economic trend. Perodua, although less affected due to its niche market positioning, is likely to see a marginal reduction in sales volume in 2009. Overall, the profits of our Automotive Division may be affected by the lower sales volume, higher foreign

exchange factors and possibly, increased advertising and promotional expenditure to meet competition.

Management is confident however that the reduced profitability levels of our Automotive Division can be partially offset by the increased revenue and contribution from our Oil & Gas Division. This is because a number of its recent investments will be commencing operations this year. Our joint venture with a subsidiary in the China National Petroleum Corporation Group, Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., has commenced production of oil and gas transmission pipes for a part of the 9,100 kilometres Second China West-East Gas Pipeline Project from Khazakhstan to Shanghai. Our ultra-premium, state-of-the-art NAGA 2 jack-up rig will be commencing drilling operations in the second half of the year while UMW Sher (L) Ltd. has increased its assets in India from two (2) to three (3) onshore rigs.

The Equipment Division is expecting a greater proportion of revenue from parts and service sales. We also hope to benefit from the various projects under the Ninth Malaysia Plan and RM67 billion stimulus packages which are being implemented.

The M&E Division has made strategic investments to enable a quantum leap in growth for the future. We have invested in India's fast-growing automotive components manufacturing industry. We have established a joint venture with Dah Chong Hong (Motor Service Centre) Limited of Hong Kong to set up a plant in the Guangdong Province to blend and distribute lubricants for the China market. The Division has also entered into a joint venture to undertake the business of research, development, manufacturing and supply of Advanced Micro Electronics products and services known as Low Temperature Co-Fired Ceramic and related technology.

ACKNOWLEDGEMENT

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO RECORD MY APPRECIATION TO ALL OUR EMPLOYEES FOR THEIR DEDICATION, SUPPORT, COMMITMENT AND EFFORTS WHICH ENABLED THE GROUP TO ACHIEVE RECORD RESULTS IN 2008.

My gratitude also goes to my fellow Board members for their collective guidance and their support of the efforts of the management in steering the Group *Beyond Boundaries*®.

I wish to record my deepest appreciation for the valuable contributions of Dato' Haji Darwis bin Mohd. Daid, who resigned from the Board on 23 April 2009 and to Dato' Ir. Lee Yee Cheong, who has served the Board for more than seven years, and who will not be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

I would also like to extend a warm welcome to Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani and Mohd. Nizam bin Zainordin, both appointed to the Board of Directors as Non-Independent Non-Executive Directors on 13 August 2008. I look forward to their contributions and services.

Finally, to our principals, customers, shareholders, suppliers, bankers and business associates, we thank you sincerely for your support and cooperation over the years.



ASMAT BIN KAMALUDIN
Group Chairman

UMW Holdings Berhad
Shah Alam, Selangor Darul Ehsan
22 May 2009



The first shipment of the Spiral Submerged Arc Welded steel pipes from the newly-completed Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. plant in China.

REVIEW OF OPERATIONS

THE COMBINED EFFORTS OF OUR VIBRANT TEAM FROM THE AUTOMOTIVE, EQUIPMENT, MANUFACTURING & ENGINEERING AND OIL & GAS DIVISIONS ENABLED US TO ACHIEVE A RECORD-BREAKING PERFORMANCE IN 2008.



DATO' ABDUL HALIM BIN HARUN



Revenue for 2008 increased to RM12.8 billion from RM10 billion. All our businesses reported commendable performance. Our Automotive Division saw record sales for both Toyota and Perodua vehicles, making UMW the market leader in Malaysia's automotive industry. With Lexus, Toyota and Perodua, UMW commands a combined market share of 49% of the total industry's new vehicle sales. We also achieved our 5-year plan, one year ahead of target, breaking the RM1 billion mark threshold in profit before taxation.

The UMW Group recorded a profit before taxation of RM1,276.7 million in 2008, which was a 49% increase over the RM856.3 million registered in 2007.

Net profit attributable to shareholders improved to RM565.8 million, an increase of 21% or RM96.7 million from the RM469.1 million registered in 2007. The Group's balance sheet remained strong as shareholders' funds increased to RM3.5 billion at the end of 2008 from RM3.1 billion.

Results of a recent brand audit shows that our rebranding programme, launched to the world in January 2008, was a great success. Internally, our "Beyond Boundaries®" rallying call echoed across all divisions to urge UMW staff and management to further improve the way they do things and to think or act beyond the boundaries of their minds.



AUTOMOTIVE



UMW TOYOTA MOTOR SDN. BHD.

2008 was a year of significant achievements for UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor").

The company achieved an all-time high sales of 101,839 units that resulted in a market share of 18.6%, its highest ever! This made it the nineteenth year that Toyota led the non-national market. The record high sales volume has placed UMW Toyota Motor as the 3rd in ASEAN and the Top 15 of the 146 Toyota distributors worldwide.

In 2008, UMW Toyota Motor sold its 100,000th unit of the Vios since its launch in 2003. Vios remained the most popular non-national passenger car in the country.

The company achieved significant progress in Customer Satisfaction, capturing No. 1 position in the JD Power 2008 Customer Satisfaction Index ("CSI") 2008 Survey.

For the third consecutive year, UMW Toyota Motor was ranked No. 1 in the JD Power 2008 Sales Satisfaction Index ("SSI").

This was the first time that the company had achieved the No. 1 position in both CSI and SSI, which was a result

of our significant investments in equipment, facilities and people. The achievement is significant as it is a reflection of our commitment to the "Customer First" Philosophy.

We have been continuously upgrading our sales and service centres and outlets to provide 3S facilities and we have relocated to larger premises to serve our customers better wherever deemed necessary. We will continue to encourage our dealers to upgrade facilities as and when required.

The nationwide network of our 92 branches and dealers has enabled UMW Toyota Motor to achieve a record total units serviced of 935,000 units in 2008.

We have successfully created strong brand awareness of our Lexus which is recognised as a foremost luxury brand in the country. We are also preparing to expand the Lexus network outside the Klang Valley in the near future and to capture a higher market share.

UMW Toyota Motor is the only distributor to have a full-fledged pre-owned vehicles operation. Our pre-owned vehicle arm, TopMark has added three (3) new outlets (Jalan Ipoh in Kuala Lumpur, Sungai Petani and Kuantan) to further enhance its operations. This makes it a combined total of six (6) outlets in Peninsular Malaysia. We will continue to seek opportunities to expand the pre-owned vehicle business further.

We have also started looking into the transformation of our logistics and supply chain operations to improve the delivery of our products to our customers.

2008 saw the launch of many new products – the Rush, Altis, Vios J-variant, improved Avanza and facelifts for the IMV series (Hilux, Innova and Fortuner). In the premium segment, the Lexus Division introduced the improved GS300 and broadened its range to include the LS460 Short Wheel Base variant.

Since 2005, UMW Toyota Motor has continued to implement and maintain the Environmental Management System at its 37 sites.



ASSEMBLY SERVICES SDN. BHD.

In 2008, Assembly Services Sdn. Bhd. ("ASSB") assembled the Vios, the IMV series (Hilux, Innova and Fortuner) and the Hiace. Apart from serving the domestic market, the Hiace is also being exported to Thailand. In addition to the models mentioned above, ASSB is also the contract assembler for Daihatsu and Hino commercial vehicles. The total of 66,576 units assembled in 2008 was a record high for ASSB.

For two (2) consecutive years, the Innova was ranked No. 1 in the JD Power 2008 Initial Quality Study for the MPV segment.

ASSB has a production capacity of 70,000 units per annum on a two-shift basis. In 2008, the plant utilisation rate improved significantly to 95% with the strong demand for Toyota vehicles.

As part of its effort towards the 5-Year Jiritsuka ("Self-Reliance") Programme, ASSB has taken steps to streamline

its operations by reducing its operational costs through effective resource planning. In line with this, ASSB has enhanced its equipment and processes to further raise the overall productivity and quality levels.

AUTOMOTIVE INDUSTRIES SENDIRIAN BERHAD

Automotive Industries Sendirian Berhad ("AISB") is a leading original equipment manufacturer ("OEM") of exhaust systems and other automotive components in the Malaysian automotive scene. AISB manufactured 448,805 sets of exhaust systems in 2008. Its customers comprise both national and non-national car manufacturers/assemblers.

Manufacturing of exhaust systems contributed to more than half of the company's total sales while the catalytic converter, which reduces emission levels, made up more than a quarter of its business volume.

Safety and staff welfare are of paramount importance and AISB was officially certified with OHSAS 18001 in April 2008.



UMW Toyota Motor Sdn. Bhd. was named "Company Of The Year" at the CEO Awards 2008.

TOYOTA BOSHOKU UMW SDN. BHD.

Toyota Boshoku UMW Sdn. Bhd. ("TBU") is a manufacturer of car seats and a major supplier to Toyota. As part of its expansion plan, TBU is in the process of supplying car seats to non-Toyota customers. TBU has recently secured its first contract to supply for non-Toyota makes.

TBU will continue to expand and will work closely with ASSB for higher localisation in the area of trim parts and small metal press components.

TBU was re-certified with ISO9001:2000 on 30 June 2008 with the re-certification audit being carried out on the same day. Moving forward, TBU plans to upgrade its ISO9001:2008 by December 2009.

PERUSAHAAN OTOMOBIL KEDUA SDN. BHD. GROUP

Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") retained its No. 1 market share position, which it has held since 2006. In 2008, Perodua commanded an overall market share of 30.5%. It also achieved an all-time high sales of 167,393 units in 2008, an increase of 3% from the preceding year's total of 162,152 units.

The Perodua Myvi continued as the company's best-selling model as it captured 20.7% of the passenger car market with sales of 88,225 units. Consumers responded very positively to the Myvi and Myvi SE facelifts that were introduced in the later part of 2008. Perodua broadened its product range by introducing the Nautica 4WD in May 2008. The Nautica is targeted at active and outdoor-oriented professionals who favour a compact SUV.

The Nautica won the "Best Value for Money Compact SUV" in the Asian Auto – VCA Auto Industry Awards 2008. Viva was awarded "Best Value for Money Model of the Year (2008)" by Frost and Sullivan Asia Pacific. The award

recognises Viva as the vehicle which provides owners with the lowest overall cost of ownership. The Myvi also won the 2008 JD Power IQS in the Compact Car category.

In June 2008, Perodua unveiled its new corporate identity, a new logo and new brand statement, "Building Cars, People First" – which elevates the importance of the human element in building quality cars and driving the group forward. The rebranding exercise is aimed at strengthening Perodua's position as the leading compact car manufacturer and gearing up for new challenges in a more liberalised market.





EQUIPMENT

HEAVY EQUIPMENT

The Heavy Equipment Group registered strong financial and operational performance in 2008, not only in Malaysia but also in Papua New Guinea ("PNG") and Myanmar.

In Malaysia, our Equipment operations benefited strongly from better demand for new machines and spare parts even though the later part of the year was affected by the global recession and a decline in commodity prices.

In 2008, our PNG operations made the final delivery of mining fleet machines to Harmony Gold Mining Co. Ltd. for their mining operations. We have a USD136 million contract for the sale and maintenance of equipment. The maintenance contract has now commenced.

Our Myanmar operations registered its third consecutive year of record performance, with strong delivery of machines to the jade mining, construction and agricultural sectors and sale of parts to the private and government sectors.

The Division also introduced the Cherrington Beach Cleaner, sourced from the United States, which can help promote tourism via clean and beautiful beaches. This enhanced our comprehensive portfolio of heavy equipment that is used in the agricultural, construction, forestry, mining and industrial and manufacturing sectors.

INDUSTRIAL EQUIPMENT



UMW Industries (1985) Sdn. Bhd. ("UMW Industries") represents some of the world's most recognised names in the industrial equipment – Toyota material handling equipment, BT and Raymond warehouse trucks and Tennant industrial sweepers and scrubbers. The company was awarded "Pembangunan Sumber Malaysia Berhad Award" in the Training Provider Category for Year 2008.

Financially, UMW Industries achieved stronger performance in 2008 as it continued to retain its dominance as Malaysia's leading material handling equipment company. It delivered more than 2,500 units of Toyota forklifts in 2008 and secured an impressive market share of more than 60%.

New products were also unveiled in 2008 to strengthen our product range. The Tennant's revolutionary ec-H2O technology converts water to perform like a powerful detergent. We also launched the best-in-class S10 walk-behind sweeper and the most quiet and productive S30 mid-sized rider sweeper.

UMW Industries also launched BT Staxio, the electric-powered stacker, and BT Levio, an electric-powered pallet truck that is very versatile and suitable for use in production, warehousing and retail premises where safety and manoeuvrability are paramount.

2008 was a good year for UMW Industrial Power Sdn. Bhd. ("UMW Industrial Power"), which distributes Natural Gas compressors, air compressors, generator sets and marine engines in the country. The company commanded a market share of 50% for the NGV compressor and 15% for the marine engine. UMW Industrial Power signed a contract with NGV Tech Sdn. Bhd. for the supply of ten (10) units GE Marine Engines Model 12V228 medium-speed engines, valued at RM40 million, for delivery in 2009.

SINGAPORE EQUIPMENT OPERATIONS

UMW Equipment & Engineering Pte. Ltd. continues to be the clear market leader in Singapore with a market share of more than 40% for the Toyota forklift. The company was also the first to launch a full scale Indoor Forklift Operators' Training Circuit in Singapore. We also offer comprehensive forklift safety training courses.

The company received the "Gold Singapore HEALTH Award" in November 2008. The Biennial Award is a national recognition to workplaces with commendable Workplace Health Promotion programmes. The company also received the "Distinguished Defence Partner Award" in July 2008.

UMW Equipment Systems (Vietnam) Company Limited and UMW Industrial Trading (Shanghai) Co., Ltd., China saw improvements in both revenue and unit sales. We also focused on fleet management business, targeting multi-national companies and major local business enterprises.



PENNZOIL®

MANUFACTURING & ENGINEERING



Our Manufacturing & Engineering Division performed well in 2008 with commendable growth in revenue and expansion of its business operations.

UMW ADVANTECH SDN. BHD.

The automotive component business of UMW Advantech Sdn. Bhd. ("UMW Advantech") grew by a remarkable 30% from the previous year, aided by better automotive market conditions. The company also achieved internal cost savings and productivity improvement. The company secured new contracts for the new Proton Saga model as well as for the recently-launched Proton Exora MPV model. UMW Advantech maintained its pole position as OEM CKD filter supplier with over 60% share of the market. UMW Advantech is the major supplier of filtration products to both the Proton and Perodua manufacturing plants. In addition, the company has made in-roads into new high technology components such as engine cover and brake reservoir.

Our Aircraft Ground Support Equipment, Aerex, has made significant sales into the Middle East. In 2008, Aerex penetrated a new market in Bahrain. Meanwhile, our Specialty Transport Equipment managed to secure Port of Singapore tender for Double Stack Port Trailers.

The Specialty Structures and Process Equipment business, which commenced operations in 2007, made further progress with the delivery of pressure vessels to petrochemical and various engineering companies.

LUBETECH SDN. BHD./UMW PENNZOIL DISTRIBUTORS SDN. BHD.

The Pennzoil business continued to grow well in 2008. The division successfully increased penetration into the local market with its comprehensive range of premium lubricants, allowing it to carve a leading position in the expanding Malaysian market.

We continue to identify and meet market needs with new products and follow up with promotional events. The Fastrac™ Series, offering the widest range of motorcycle oil, and the 7-litre bottle pack of diesel engine oil, were successfully launched during the year under review. These new launches marked another milestone for Pennzoil, towards providing premium quality products to satisfy market needs.

Pennzoil's participation in the Malaysian Rally Championship provided good endorsement for its products. Team GSR Pennzoil Racing won the P12, A8 and Best Team categories in the 2008 Championship event.

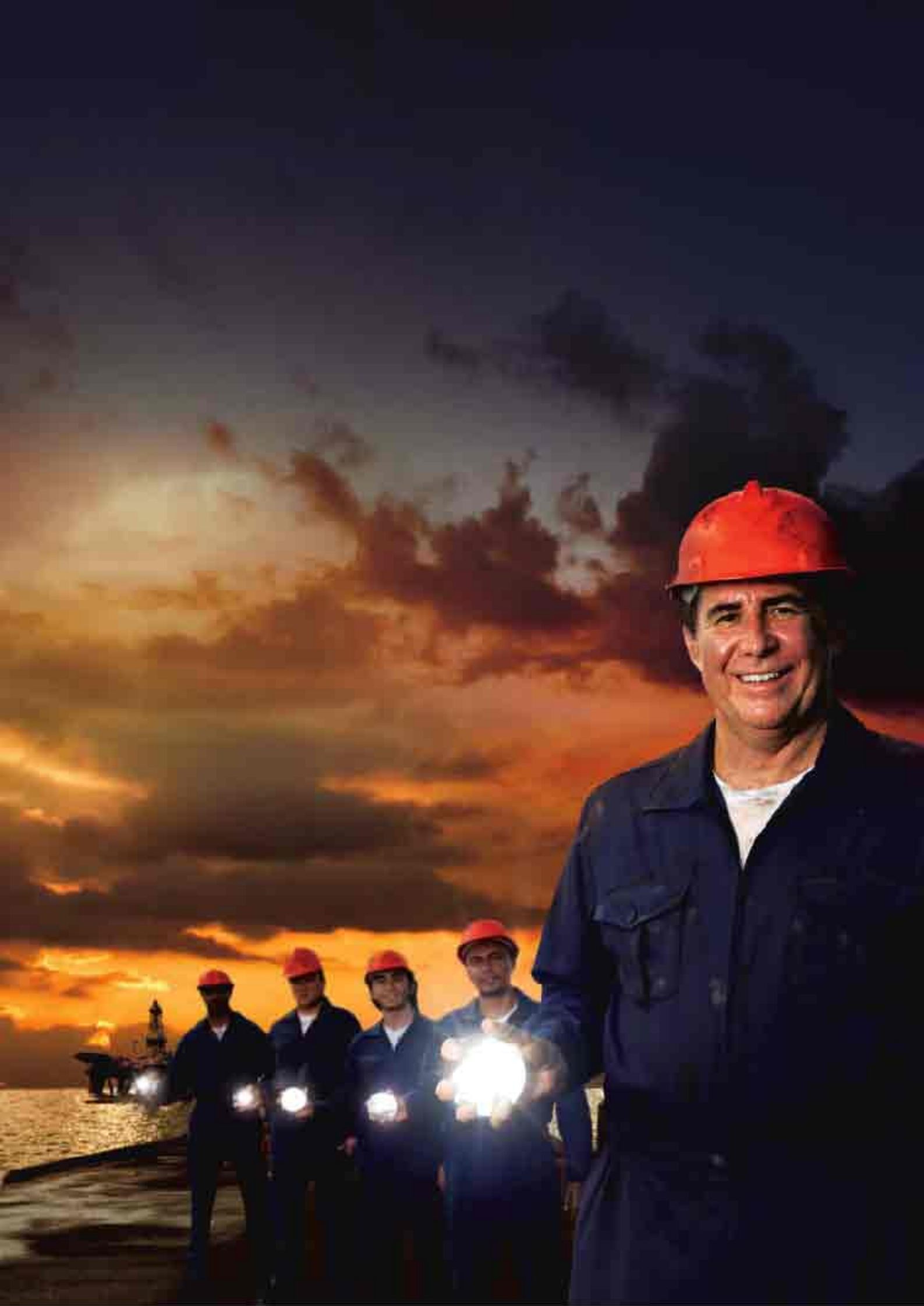
Moving forward, with anticipated demand growth, our two (2) joint venture companies, Lubetech Sdn. Bhd. and UMW Pennzoil Distributors Sdn. Bhd. will focus on product quality improvement, operational processes, customer service and activities to maintain existing customers and attract future users of the brand. Pennzoil will continue to invest in lubricants research and development by adopting internationally-accepted lubes technology and economically-developed products for the market.

KYB-UMW MALAYSIA SDN. BHD.



KYB-UMW Malaysia Sdn. Bhd. ("KYB-UMW"), which manufactures shock absorbers and power steering pumps for both OEM and the replacement market, improved its sales and profit levels in 2008.

A total of 2.9 million pieces of shock absorbers was sold in 2008. We are supplying power steering pumps to both the national car manufacturers in Malaysia and also exporting to Mitsubishi in Indonesia and Philippines.



OIL & GAS



Onshore rig - Sher 2

UMW Oil & Gas complements the important upstream activities of the Oil & Gas industry, through five (5) main businesses – Manufacture of Oil Country Tubular Goods (“OCTG”) and Line Pipes, Oil & Gas Exploration Operations, Fabrication of Oil & Gas and Other Structures, Provision of Oilfield Services and Supply of Oilfield Products. Our head office is in Kuala Lumpur, with operations spanning the Asia-Pacific region and Turkmenistan.

MANUFACTURE OF OCTG AND LINE PIPES

Shanghai BSW Petro-pipe Co., Ltd., China

The company achieved a robust sales growth in 2008 as its Spiral Submerged Arc Welded (“SSAW”) steel pipes for oil and gas transmission lines and structural pipes were supplied to China’s Second West-East Gas Pipeline Project, which is a two-year project for the company. Besides meeting the domestic market’s requirements, some of Shanghai BSW Petro-pipe Co., Ltd.’s (“Shanghai BSW Petro-pipe”) production was also exported.

Shanghai BSW Petro-pipe’s production output in 2008 was 173,387 metric tonnes, exceeding its capacity of 150,000 metric tonnes due to a large demand for the West-East Gas Pipeline. The manufactured SSAW pipes can also be internally and externally coated and in 2008, total coating applied was 1,051,944 square metres.

In 2008, the company was awarded “Top 30 Enterprises of Yuepu Town” by the local government of Baoshan District, Shanghai. Shanghai BSW Petro-pipe is looking to increasing its production capacity in 2009.

WSP Holdings Limited/Wuxi Seamless Oil Pipe Co., Ltd., China

Our associated company, WSP Holdings Limited (“WSP”), listed on the New York Stock Exchange, achieved a higher net income of USD99.3 million, an increase of 33%. Sales output increased by 37.9% to 608,516 metric tonnes. WSP has a broad product portfolio with over 400 different OCTG products and six (6) series of proprietary non-API products. It has ten (10) threading lines and two (2) drill pipe production lines. WSP’s manufacturing focuses on API-certified and higher quality non-API seamless casings, tubings and drill pipes.

In April 2008, the company, via First Space Holdings Limited, established a 70%-owned subsidiary, Liaoning Seamless Oil Pipes Co., Ltd. in Liaoyang, Liaoning Province and also, via Wuxi Seamless Oil Pipe Co., Ltd. (“WSP China”), established a wholly-owned subsidiary, Songyuan Seamless Oil Pipes Co., Ltd. in Songyuan, Jilin province.

In July 2008, the company, via WSP China, acquired 100% equity ownership in Tuoketuo County Mengfeng Special Steel Co., Ltd., which is located in Inner Mongolia. In October 2008, the company, via WSP China, established a wholly-owned subsidiary, Bazhou Seamless Oil Pipes Co., Ltd. in Kuerler, Xinjiang Autonomous Region. Certificates of authority for API and ISO9001 have been obtained by the company.

Oil Country Tubular Limited, India

Oil Country Tubular Limited (“OCTL”) is a public company listed on the Bombay Stock Exchange and the National Stock Exchange (India). It is the only finishing mill in India producing a wide range of OCTG, including casings, tubings, drill pipes, drill collars, rotary subs and crossovers.

OCTL recorded a production output of 23,600 metric tonnes in 2008, an increase from the preceding year’s 16,000 metric tonnes. Key clients for 2008 included well-established international companies. The company has also built international presence in South-East Asia, the Middle East, Europe and the USA. Sales revenue for 2008 was USD90 million, out of which 47% was for export. This is the highest turnover ever in the company’s history.

Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China

Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. (“Zhongyou BSS”) is a joint venture project with Baoji Petroleum Steel Pipe Co., Ltd., a subsidiary of China National Petroleum Corporation (“CNPC”). Zhongyou BSS has started making large-diameter SSAW for the eastern section of China’s Second West-East Gas Pipeline. This section from Zhongwei to Guangzhou covers a distance of 2,400 kilometres. The plant is located in the Qinhuangdao Economic & Technical Development Area, 300 kilometres east of Beijing, China. The new plant is also equipped with anti-corrosion facilities so that the completed pipes can be laid once they leave the plant.

The current installed production capacity is 300,000 metric tonnes. There is ample space and flexibility to increase output further when required.

By the second half of 2009, the plant will manufacture Longitudinal Submerged Arc Welded ("LSAW") transmission steel pipes. All these pipes are to be used in the Second West-East Gas Pipeline from Kazakhstan to Shanghai, China. CNPC has a contract to complete a portion of the more than 9,100-kilometre pipeline.

United Seamless Tubular Private Limited, India

In 2007, UMW Oil & Gas joined hands with the Kamineni Group of Hyderabad to set up a seamless pipe mill (United Seamless Tubular Private Limited) to produce pipes covering the size range of 5" OD to 14" OD. The capacity of the plant will be 300,000 metric tonnes per annum. The seamless pipes will mainly cater to the Oil and Gas Exploration and Production sector. The pipe mill is scheduled to be completed in late 2009 and operational by early 2010.

PT TPCO Pan Asia, Indonesia

This is a joint venture with Airtrust Pte. Ltd. (Singapore) and Tianjin Pipe (Group) Corporation, the largest producer of seamless pipes in China. We are setting up a plant in Batam, Indonesia, for the manufacture, processing and finishing of OCTG and pipes. The plant is expected to start operations in late 2009.

OIL & GAS EXPLORATION OPERATIONS

UMW JDC Drilling Sdn. Bhd.

We provide contract offshore drilling services through our semi-submersible rig, NAGA 1. In 2008, NAGA 1 was successfully refurbished and upgraded. This enhanced its competitiveness and extended its lifespan so as to maintain its excellent safety track record of zero loss time incidents.

Currently, it is leased to Petronas Carigali Sdn. Bhd. for 20 firm wells and a further 20 option wells. This will see NAGA 1 fully utilised until 2010.

UMW Standard Drilling Sdn. Bhd.

The company, which is a joint venture between UMW and Standard Drilling ASA of Norway, was set up to market and operate two jack-up rigs, namely NAGA 2 and NAGA 3.

The first of the two jack-up rigs, NAGA 2, will be operational in the second half of 2009. It has received a contract from PCPP Operating Company Sdn. Bhd. for drilling operations at offshore Bintulu, Sarawak. Under the contract, NAGA 2 is assigned to initially drill seven (7) development wells at the 48-hectare oilfield. NAGA 3 is expected to be delivered in the first half of 2010.

NAGA 2 and NAGA 3 are independent-leg cantilever jack-up rigs that have drilling depth capability of 30,000 feet and have a rated operating water depth of 350 feet. The ultra-premium jack-ups deliver more efficient drilling compared to older jack-ups. The former has longer legs

for greater water depth, longer and stronger cantilevers and greater drilling and hoisting capacity.

Jaybee Drilling Private Limited, India

We signed a Share Sale Agreement with Jogen N. Buragohain for the ownership and operation of onshore drilling rigs in April 2008. Currently, we have three (3) onshore rigs, Sher 1, 2 and 3, in operation in the state of Assam in northeast India. In 2008, our clients included well-established and large companies in India.

FABRICATION OF OIL & GAS AND OTHER STRUCTURES

Vietnam Offshore Fabrication & Engineering Co., Ltd., Vietnam

The company achieved good results in 2008 after having successfully fabricated and delivered FPSO Anchor Suction Piles for Single Buoy Moorings Inc. and Mid-Water Arch for Bluewater Energy Services B.V. This enabled the company to participate in larger projects and compete with other international players. In addition, it has been awarded the ASME 'U', 'U2', 'S' and NBIC 'NB' & 'R' stamps which enable the company to venture into pressure vessel fabrication, hence expanding the company's products and services as well as enhancing its reputation. It is also constructing a new workshop and a wharf.

In 2008, approximately 1,200 metric tonnes were fabricated, compared to 900 metric tonnes in 2007, an increase of 33%.

Offshore Construction Services Pte. Ltd., Singapore

UMW acquired a majority stake in Offshore Construction Services Pte. Ltd. ("OCS") in January 2008. OCS provides general fabrication to the offshore marine industry. Its services include turnkey projects, onshore and offshore fabrication, and complex steel fabrication structures such as Shallow Water Jack-up Rig, Process Piping Skid and Saturation Diving Chambers.

UMW Fabritech Sdn. Bhd.

UMW Fabritech Sdn. Bhd. holds an exclusive licence from Saekaphen GmbH, Germany for the provision of corrosion and fouling protection for critical equipment. It also offers a full-fledged service for field applications of industrial coating and lining, as well as abrasive blasting. Through a joint venture with DKLS Oil & Gas Sdn. Bhd., it has developed a waterfront facing land in Lumut to set up a fabrication business.

PROVISION OF OILFIELD SERVICES

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China

2008 was an excellent year for the company as it registered favourable growth in profitability. Its primary business activity is to provide internal coating services for drill pipes, casings, tubings and line pipes for the Oil & Gas sector. The company mainly provides its services to the domestic Chinese market and it is a leading player in its business segment.

Jiangsu Tube-Cote Shuguang Coating Co., Ltd., China

Jiangsu Tube-Cote Shuguang Coating Co., Ltd. also achieved good revenue and profit growth compared to the previous year, providing internal coating services for drill pipes, casings, tubings and line pipes for the Oil & Gas sector.

UMW Oilpipe Services Sdn. Bhd.

UMW Oilpipe Services Sdn. Bhd.'s ("UOS") principal activities are threading of OCTG and manufacturing of couplings and accessories. Its Labuan premium threading plant is Malaysia's largest, with a production capacity of 60,000 metric tonnes per annum. In 2008, we threaded a total of 8,956 premium connections and 6,327 API connections. UOS has developed additional services and plans to provide comprehensive perforated/screen pipes drilling facilities in 2009.

UMW Petrodril (Malaysia) Sdn. Bhd.

The company had a successful year as it attained high utilisation levels for its three (3) hydraulic workover rigs, UP GAIT I, II and III. Its main clients in 2008 included Petronas Carigali Sdn. Bhd. (HWU) and Murphy Oil (Subsea drilling products). Our fourth hydraulic workover rig, to be named as UP GAIT V, is under construction.

In December 2008, UMW Petrodril (Malaysia) Sdn. Bhd. ("UPSB") signed a joint venture agreement with Snubco Pressure Control International Ltd. from Canada to carry out pressure control services that include hot tapping, gate valve milling and snubbing services for offshore production operations in the region.

UPSB plans to continue expanding into overseas markets through the provision of HWU services in Indonesia and other ASEAN countries, initiate under-balanced/snubbing workovers and hot tapping and pressure control services in the Malaysian and South-East Asian markets. UPSB intends to complete the documentation process of the ISO9001:2000 initiative and be ready for certification audit by mid-year, secure a contract to commence UP GAIT V and initiate under-balanced workovers and snubbing operations.

SUPPLY OF OILFIELD PRODUCTS

UMW Oilfield International (M) Sdn. Bhd. & UMW Oilfield International (L) Ltd.

The companies' main activities are stocking, trading, logistics, marketing and distribution of oilfield products. During the year, UMW Oilfield International (M) Sdn. Bhd. and UMW Oilfield International (L) Ltd. broadened their scope of operations to include OCTG manufacturing equipment and land rigs. While continuing to source for OCTG and line pipes from China, they also expanded their scope to include Japan and Europe. This will allow the companies to be more competitive and to be able to meet our customers' requests.

PFP Holdings Pty. Ltd., Australia

The PFP group is involved in the trading of piping, flanges, valving and pressure vessel components to the Power Generation, Processing, Mining, Petrochemical and Oil & Gas industries. It is also involved in the manufacture and supply of piping and cladding materials. PFP (Shenzhen) Piping Materials Co., Ltd. was incorporated in 2008 as a subsidiary of PFP Singapore Pte. Ltd. to serve ongoing projects in the country and develop new businesses in China. On 23 December 2008, a Sale and Purchase Agreement was signed for the acquisition by UMW of the minority shareholding in the PFP group of companies, so as to give UMW a 100% shareholding.



A joint venture with DKLS Oil & Gas Sdn. Bhd. to set up a fabrication plant in Lumut.



The newly-completed administration building of Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd.

NON-CORE BUSINESSES

In 2008, Toyota Capital Malaysia Sdn. Bhd. (formerly known as UMW Toyota Capital Sdn. Bhd.) ("TCAP") became the first and only Toyota company globally to launch an Islamic Sukuk Programme, valued at RM1 billion. The Sukuk is to support the growing demand for Islamic products for hire purchase and lease facilities. In 2008, TCAP financed an estimated 9.7% of UMW Toyota Motor's sales.

U-TravelWide Sdn. Bhd. enhanced its services and financial performance in 2008. The company won the "Outstanding Sales Achievement Diamond Award" from Malaysia Airlines System Berhad for the third consecutive year. It also introduced the eTM ("Electronic Travel Management") to our core customers to perform online review and bookings for ticketing and hotel reservations.

U E-Technologies Sdn. Bhd. ("UET") implemented a new Web-enabled Electronic Procurement System ("eProc") in 2008. eProc will be an integral part of the Group's procurement process. The system's electronic bidding capability will facilitate competitive bidding among

potential suppliers, hence enhancing cost effectiveness for the Group. UET has also expanded its IT value-added services to UMW's overseas subsidiaries in Papua New Guinea and Vietnam.

U-Insurance Sdn. Bhd. is the authorised insurance agent for both conventional and takaful insurance for Etiqa Insurance Berhad, Mitsui Sumitomo Insurance Group and Takaful Ikhlas Sdn. Bhd., providing insurance coverage for subsidiaries within the Group.

During the year under review, UMW-PNSB Development Sdn. Bhd.'s application to convert and sub-divide part of its land from residential and commercial lots into industrial lots was processed by the State Authorities. The company had also jointly worked with the Selangor State Investment Centre and Malaysia Industrial Development Authority of Selangor to promote the sale of industrial land to potential investors. In 2008, the company also entered into a Sale and Purchase Agreement to dispose 30 acres of its land to a local company for a steel plant project.



Recipients of the UMW Brand Heroes Awards 2008.



CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of UMW believes that sound corporate governance practices are pre-requisites towards the Group's continued growth, success and excellent reputation. The Board ensures that the highest standards of corporate governance, based on the Principles and Best Practices set out in the Malaysian Code on Corporate Governance ("the Code"), are applied and maintained throughout the Group with the ultimate objective of safeguarding and enhancing shareholder value and assuring the integrity of the Group's reported financial performance.

As a Government-Linked Company ("GLC"), the Group has adhered to the principles and practices introduced by the Putrajaya Committee on GLC High Performance relating to guidelines for enhancement of GLC Board effectiveness as set out in the Green Book. In addition, the Board has established internal guidelines on Corporate Disclosure Policies and Procedures based on the best practices recommended by Bursa Malaysia Securities Berhad ("Bursa Securities"), to provide the Group with appropriate guidance in discharging its disclosure obligations and to ensure that the Group moves beyond making the minimum mandatory disclosure requirements.

Set out below is a statement which outlines the application of the Principles of the Code and compliance with the Best Practices provisions set out therein, by the Group throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board provides strategic leadership, direction, support and guidance for the Group and promotes commitment to its core values, policies and objectives.

CORPORATE GOVERNANCE (CONT'D.)

Board Composition and Balance

As at 31 December 2008, the Board had nine (9) members, i.e., eight (8) Non-Executive Directors, including the Chairman, and one (1) Executive Director designated as the Group Managing Director & Chief Executive Officer. In compliance with the Listing Requirements of Bursa Securities, three (3) of the nine (9) members of the Board are Independent Directors. The presence of Independent Directors provides a check and balance in the discharge of the Board function. They represent minority shareholders' interests in the Company. Independent Directors' views carry significant weight in all Board deliberations and decision making. The composition and size of the Board is well-balanced and appropriate for the complexity and level of operations of the Group.

The profile of each Director is set out in the Directors' Profile on pages 12 to 15 of this annual report.

Board Responsibility

The Company is led by a committed, cohesive and effective Board, comprising members from diverse professional backgrounds, with expertise and extensive experience, skills and knowledge in various fields such as business management, legal, industrial, engineering, accounting and finance, corporate planning and also in the Group's core businesses.

There is a clear and distinct division of responsibility between the Chairman and the Group Managing Director & Chief Executive Officer to ensure a proper balance of power and authority. The Chairman leads the Board in setting the policy framework of the Company and is responsible for the effective conduct of the Board. He ensures that information relating to issues on the agenda is disseminated to all Directors well before deliberation at Board meetings. The Chairman encourages active participation by Board members in discussions and provides reasonable time for discussion of complex issues under review. Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or group.

The present Chairman, Tan Sri Datuk Asmat bin Kamaludin, is a Non-Executive Director and nominee of Permodalan Nasional Berhad, a major shareholder of the Company. Tan Sri Datuk Asmat has always been a Non-Executive Director since his appointment to the Board.

The Group Managing Director & Chief Executive Officer, Dato' Abdul Halim bin Harun, is primarily responsible for the day-to-day operations of the Group, which includes implementation of policies, strategies and decisions adopted by the Board. The Group Managing Director & Chief Executive Officer is under the control of the Board and is responsible for communicating matters relating to the Group's business and affairs to the Board. His intimate knowledge of the Group's affairs contributes significantly towards the attainment of the Group's goals and objectives.

Independent Non-Executive Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. The Board recognises the importance of the role of the Independent Non-Executive Directors, particularly in ensuring that strategies proposed by management are fully deliberated and examined objectively, taking into perspective, among others, the long term interests of shareholders as well as other stakeholders and the community at large. Tan Sri Dato' Mohamed Noordin bin Hassan is the Senior Independent Non-Executive Director of the Board to whom any concerns on the Group may be conveyed.

Board Committees

Committees are formed to assist in the effective functioning of the Board. The Board delegates specific responsibilities to three (3) Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, which operate within clearly-defined terms of reference. Independent and Non-Executive Directors play a leading role in these committees. Management and third parties are co-opted to the committees as and when required. In addition, special committees are formed for specific purposes as and when required. Reports of proceedings and outcome of various committee meetings are submitted to the Board.

CORPORATE GOVERNANCE (CONT'D.)

The composition of the Board committees and the attendance of members at such committee meetings in the year under review, are as follows -

Audit Committee

Members	Position	Attendance at Meetings
Tan Sri Dato' Mohamed Noordin bin Hassan	Chairman <i>(Independent Non-Executive Director)</i>	6/6
Dato' Ir. Lee Yee Cheong	Member <i>(Independent Non-Executive Director)</i>	6/6
Dr. Leong Chik Weng <i>(appointed w.e.f. 13/08/2008)</i>	Member <i>(Independent Non-Executive Director)</i>	2/2
Mohd. Nizam bin Zainordin <i>(appointed w.e.f. 13/08/2008)</i>	Member <i>(Non-Independent Non-Executive Director)</i>	2/2

Nomination Committee

Members	Position	Attendance at Meetings
Dato' Ir. Lee Yee Cheong <i>(appointed as Chairman on 05/08/2008)</i>	Chairman <i>(Independent Non-Executive Director)</i>	5/5
Tan Sri Dato' Mohamed Noordin bin Hassan	Member <i>(Independent Non-Executive Director)</i>	5/5
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani <i>(appointed w.e.f. 13/08/2008)</i>	Member <i>(Non-Independent Non-Executive Director)</i>	1/1

Remuneration Committee

Members	Position	Attendance at Meetings
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid <i>(appointed as member and Chairman on 05/08/2008)</i>	Chairman <i>(Non-Independent Non-Executive Director)</i>	2/2
Dato' Haji Darwis bin Mohd. Daid <i>(resigned w.e.f. 23/04/2009)</i>	Member <i>(Non-Independent Non-Executive Director)</i>	5/5
Dr. Leong Chik Weng <i>(appointed w.e.f. 13/08/2008)</i>	Member <i>(Independent Non-Executive Director)</i>	2/2

Details of the terms of reference of the Committees of the Board are set out on pages 18 to 23 of this annual report.

Board Meetings

The Board meets six (6) times a year on a scheduled basis with additional meetings convened as and when situations require urgent deliberation and decision of the Board. In the year under review, a total of eight (8) Board meetings were held to deliberate on business performance reports of the Company and its major subsidiaries, evaluate the feasibility of business propositions and corporate proposals, risk management, strategies and direction, and standards of conduct and compliance by the Group.

CORPORATE GOVERNANCE (CONT'D.)

A schedule of Board meetings for each financial year is drawn up at the end of the preceding financial year to facilitate Directors in planning their meeting schedule for the year.

Details of attendance of Board members are set out below -

Date of Board Meeting	Independent Directors	Non-Independent Directors	Total Attendance	
21/01/2008	2	5	7	78%
28/02/2008	3	6	9	100%
17/04/2008	3	6	9	100%
23/05/2008	3	5	8	89%
05/08/2008	3	4	7*	100%
20/08/2008	3	6	9	100%
24/11/2008	3	5	8	89%
18/12/2008	3	6	9	100%

**Note: Board comprised only seven (7) members following the retirement of Dato' Thomas Mun Lung Lee and Md. Yusof bin Hussin.*

Supply of Information

Management is responsible for providing the Board with timely and quality information and in a form and manner appropriate for the Board to discharge its duties effectively. All Directors are provided with comprehensive Board reports at least five (5) days before Board meetings to enable them to review and consider the agenda items to be discussed. In addition, there is a schedule of matters reserved specifically for the Board's decision. Senior management of the Group and external advisers are invited to attend Board meetings to provide their professional views, advice and explanations on specific items on the agenda. The Board has also approved a procedure for Directors to obtain independent professional advice, where necessary, for proper discharge of their duties and at the Group's expense. SBU Heads are required to brief/update Board members on operational issues from time to time to enable Directors to discharge their duties more effectively.

All Directors have unrestricted access to information pertaining to the Company's business and affairs necessary for the effective discharge of their responsibilities. The Directors also have direct access to the advice and services of the Company Secretary. The Company Secretary regularly updates the Directors on statutory and regulatory requirements, particularly pertaining to the duties and responsibilities of the Board and individual Directors.

Appointments to the Board

The Nomination Committee, which comprises exclusively Non-Executive Directors, the majority being independent, is empowered to bring to the Board recommendations on the appointment of any new Executive and Non-Executive Directors. The Committee evaluates and assesses the suitability of candidates for Board membership. In addition, the Committee also reviews for recommendation to the Board, the appointment, dismissal, transfer and promotion of very senior management staff of the Group.

The responsibility for ensuring that relevant procedures relating to the appointment of new Directors are properly executed rests with the Company Secretary. All newly-appointed Directors will undergo a comprehensive induction programme with the objective of providing an overview of the Company's vision and mission, its philosophy and nature of business, corporate strategy, current issues and the long-term targets of the Group. Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani and Mohd. Nizam bin Zainordin attended such an induction programme held on 19 August 2008 following their appointment to the Board.

CORPORATE GOVERNANCE (CONT'D.)

Board Performance, Evaluation and Review

The Board, through the Nomination Committee, reviews annually its required mix of knowledge, skills, attributes and core competencies of its Directors. The Board has implemented a process to be carried out by the Nomination Committee for assessing the effectiveness of the Board as a whole and the effectiveness of each Director, including the Chairman. Details of the procedure are given in the Nomination Committee report on pages 21 to 22.

Non-Executive Directors' performance is evaluated by the Chairman, who subsequently meets up with individual Directors to discuss the results of the evaluation, including recommending areas of improvement, if necessary. The Nomination Committee Chairman in turn evaluates the performance of the Chairman and discusses the results of such evaluation with the Chairman. Upon completion of the evaluation process, the Chairman briefs the Board on the overall results of the evaluation conducted and improvements recommended in respect of the Board as a whole at the Board meeting.

Evaluations of the Board, the Chairman and individual Directors have been conducted in the year under review.

Directors' Training

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities for Directors of public-listed companies. However, the Board is mindful of the need for Directors to attend continuous education programmes to keep them abreast of new developments pertaining to legislations, regulations and changing commercial risks that may affect business operations and compliance matters. Appropriate training and education programmes are identified and arranged for Directors' participation from time to time to further enhance their skills and knowledge. Board meetings of the Company are held at places within the Group's business operations from time to time, to give Directors a better perspective of the Group's businesses and to improve their understanding of the operations.

Members of the Board have attended various training programmes in areas of leadership, corporate governance, risk management, tax perspectives, financial prospects on Islamic banking and strategic planning, in the year under review.

Details of training programmes attended by members of the Board in 2008 are as follows -

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
Tan Sri Datuk Asmat bin Kamaludin	The recent changes in the Corporate Legal Framework towards better Corporate Governance - Its implications on Directors	28/01 - 29/01/2008	The Royal Bank of Scotland	8
	In-house Directors' Training - Compliance and Enforcement of Bursa Securities Listing Requirements: Updates and Case Studies	29/05/2008	Malaysian Pacific Industries	
	PNB International Lectures - Importance of Strategy Execution	10/06/2008	PNB	
	Effective Chairmanship	19/06/2008	Bursatra	
	PNB Nominee Directors' Convention - Risk Management "Challenges and Opportunities"	10/07/2008	PNB	

CORPORATE GOVERNANCE (CONT'D.)

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
	In-house Directors' Training	18/07/2008	Scomi Group	
	Developing Sustainable Futures	20/08/2008	Sime Darby	
	C-Suite 2009 Budget Tax Perspectives	09/09/2008	Deloitte	
Dato' Abdul Halim bin Harun	Latest Updates on the Companies Act, 1965 and Implications on Directors' Duties and Responsibilities	17/04/2008	UMW/CCM	3
	Leading with Difference, Leading with Brilliance	30/06/2008	Brilliant Attitude/ The Success Lab	
	C-Suite 2009 Budget Tax Perspectives	09/09/2008	Deloitte	
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	Latest Updates on the Companies Act, 1965 and Implications on Directors' Duties and Responsibilities	17/04/2008	UMW/CCM	5
	Understanding Financial Reporting for Directors and Senior Management	27/05/2008	Bursatra	
	Minda Luncheon Talk 2008 on "Current and Future Prospects on Islamic Banking"	16/06/2008	MINDA	
	Building High Performance Directors Module 1	20/05 - 23/05/2008	MINDA	
	Module 2	28/07 - 30/07/2008		
	Module 3	20/10 - 22/10/2008		
	Chairman's Forum	23/10 - 24/10/2008	MINDA	
Tan Sri Dato' Mohamed Noordin bin Hassan	Latest Updates on the Companies Act, 1965 and Implications on Directors' Duties and Responsibilities	17/04/2008	UMW/CCM	1
Dato' Ir. Lee Yee Cheong	Latest Updates on the Companies Act, 1965 and Implications on Directors' Duties and Responsibilities	17/04/2008	UMW/CCM	2
	Directorship : Independent vs. Executive	08/08/2008	Bursatra	
Dato' Haji Darwis bin Mohd. Daid	Latest Updates on the Companies Act, 1965 and Implications on Directors' Duties and Responsibilities	17/04/2008	UMW/CCM	2
	Malaysian Corporate Governance Conference	15/05-16/05/2008	ASLI	
Dr. Leong Chik Weng	Latest Updates on the Companies Act, 1965 and Implications on Directors' Duties and Responsibilities	17/04/2008	UMW/CCM	1
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	PNB International Lectures - Blue Ocean Strategy	22/04/2008	PNB	9

CORPORATE GOVERNANCE (CONT'D.)

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
	Islamic Finance in South East Asia - Local Practice, Global Impact (as Presenter)	25/04/2008	The National Bureau of Asean Research	
	PNB International Lectures - Importance of Strategy Execution	10/06/2008	PNB	
	PNB Nominee Directors' Convention - 1) Eva Approach to Value Creation 2) Risk Management "Challenges and Opportunities"	10/07/2008	PNB	
	Wither Bai Bithaman Ajil (BBA) in Malaysia? - Analysis of Recent Decisions (as Dialogue Moderator)	14/10/2008	Zaid Ibrahim & Co.	
	London Islamic Finance News (IFN) Forum (as Forum Moderator)	17/10/2008	Red Money Group	
	PNB International Lectures - Retaining Talent for Sustainability	28/10/2008	PNB	
	PNB International Lectures - Innovation and Creativity for Business Growth	17/11/2008	PNB	
	Risk Management Programme	17/12/2008	PNB	
Mohd. Nizam bin Zainordin	International Financial Planning Advisors Conference (IFPAC)	22/02 - 24/02/2008	Financial Planning Association of Malaysia	7
	PNB International Lectures - Blue Ocean Strategy	22/04/2008	PNB	
	Financial Services Global Leadership Summit	07/05 - 09/05/2008	Oracle I-Flex Solution	
	Financial Leaders Forum Module 1 Module 2 Module 3	25/05 - 28/05/2008 29/05 - 30/05/2008 02/07 - 04/07/2008	IMD International	
	PNB Nominee Directors' Convention - 1) Eva Approach to Value Creation 2) Risk Management "Challenges and Opportunities"	10/07/2008	PNB	
	Mandatory Accreditation Programme	16/12 - 17/12/2008	Bursatra	

CORPORATE GOVERNANCE (CONT'D.)

Re-Election/Re-Appointment of Directors

In accordance with Chapter 7 Part K item 7.28(2) of the Bursa Securities Listing Requirements and Article 125 of the Articles of Association of the Company, all Directors are to retire from office once at least in each three-year period. Article 123 of the Articles of Association also provides that at least one-third of the Directors shall be subject to retirement by rotation at each Annual General Meeting ("AGM").

The Board had adopted a retirement age policy, guided in general by the Companies Act, 1965 and the GLC Transformation Manual, which stipulate that the age limit for Directors is seventy (70) years. Pursuant to Section 129(6) of the Companies Act, 1965, Directors over seventy (70) years of age are to retire at every AGM and may offer themselves for re-appointment. Tan Sri Datuk Mohamed Khatib bin Abdul Hamid and Dato' Ir. Lee Yee Cheong are subject to such retirement and re-appointment. However, Dato' Ir. Lee Yee Cheong has intimated to the Board that he does not wish to seek re-appointment at the forthcoming AGM.

In 2008, the Nomination Committee expanded its terms of reference to include evaluation of Non-Executive Directors who are to retire by rotation or who had served the maximum term of office, which has been set at ten (10) years, or who have reached the age of seventy (70) years and are seeking re-election/re-appointment at the AGM. The evaluation process is to ensure that a due process is carried out by the Nomination Committee and the Board before such re-election/re-appointment is put forth to shareholders for approval. The Nomination Committee makes appropriate recommendations to the Board on such re-election/re-appointment.

The contract in respect of the services of the Group Managing Director & Chief Executive Officer, Dato' Abdul Halim bin Harun, was entered into prior to 1 June 2001. Dato' Abdul Halim bin Harun is not subject to retirement by rotation as adherence to the above regulation on retirement by rotation would result in a breach of this service contract.

DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

In line with the Code, the Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group successfully, taking into consideration factors including functions, workload and responsibilities and liabilities involved.

Remuneration for Executive Directors in UMW is structured so as to link rewards to corporate and individual performance. The remuneration of Executive Directors includes salary and emoluments, bonus and benefits-in-kind. Executive Directors are also eligible to participate in the Company's Employee Share Option Scheme that came into effect on 18 April 2006. The level of remuneration for Executive Directors is benchmarked against compensation levels for similar positions among other Malaysian public-listed companies within the same industry.

In the case of Non-Executive Directors, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them. Non-Executive Directors are paid Directors' fees and attendance allowance of RM500 for each Board/Committee meeting they attend. In addition, Non-Executive Directors are entitled to certain benefits-in-kind such as medical coverage in Malaysia, up to a limit of RM25,000 per annum. The Chairman of the Board, who is Non-Executive, is also entitled to annual leave passage, company car and club membership. Non-Executive Directors who retire from the Board after at least ten (10) years' continuous service are entitled to payment of gratuity upon their retirement subject to evaluation of their performance by the Nomination Committee and the Board and the policy approved by shareholders. They do not participate in the UMW Employee Share Option Scheme.

The Company is also cognisant of the compensation philosophy advocated by the Putrajaya Committee on GLC High Performance (guideline 2.3.1), which suggests that GLC Boards should regularly review the compensation of their Chairman and Directors and align them to the 50th percentile of an appropriate peer group. Accordingly, in February

CORPORATE GOVERNANCE (CONT'D.)

2008, the Board reviewed, discussed and approved a proposal to submit to shareholders for an increase of Non-Executive Directors' remuneration in view of their increased responsibilities and involvement in the affairs of the Group. The Board also put forward a proposal to shareholders for payment of gratuity to Non-Executive Directors upon retirement, after serving a continuous period of at least ten (10) years. Both proposals were approved by shareholders at the AGM of the Company held on 26 June 2008.

Procedure

The Remuneration Committee is responsible for reviewing and recommending to the Board, Executive Directors' remuneration in line with the contributions made by them for the year. The Board as a whole determines the remuneration of Non-Executive Directors. All Directors, executive and non-executive, abstain from deliberations and voting on decisions in respect of their individual remuneration. A formal independent review of Directors' remuneration is undertaken once every two (2) years. The Remuneration Committee also reviews and recommends to the Board, the remuneration of the senior-most management staff of the Group based on individual contribution and performance.

Disclosure on Directors' Remuneration

Details of the remuneration of each Director during the financial year ended 31 December 2008 are as follows -

	Salaries & Other Emoluments (RM'000)	Directors' Fees* (RM'000)	Benefits-In - Kind (RM'000)	Total (RM'000)
Executive Director				
Dato' Abdul Halim bin Harun	1,558	-	107	1,665
Non-Executive Directors				
Tan Sri Datuk Asmat bin Kamaludin	-	162	115	277
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	-	88	-	88
Tan Sri Dato' Mohamed Noordin bin Hassan	-	97	-	97
Dato' Ir. Lee Yee Cheong	-	97	-	97
Dr. Leong Chik Weng	-	87	-	87
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani (appointed w.e.f. 13/08/2008)	-	29	-	29
Mohd. Nizam bin Zainordin (appointed w.e.f. 13/08/2008)	-	31	-	31
Dato' Haji Darwis bin Mohd. Daid (resigned w.e.f. 23/04/2009)	-	82	-	82
Dato' Thomas Mun Lung Lee (resigned w.e.f. 26/06/2008)	-	41	-	41
Md. Yusof bin Husin (resigned w.e.f. 26/06/2008)	-	47	-	47

* Directors' fee disclosed is at Group level.

CORPORATE GOVERNANCE (CONT'D.)

Details of the number of Directors of the Company whose total remuneration during the year falls within the following bands are as follows -

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Up to RM50,000	-	4	4
RM50,001 - RM100,000	-	5	5
RM150,001 - RM200,000	-	1	1
RM1,500,001 - RM2,000,000	1	-	1
Total	1	10	11

Indemnification of Directors and Officers

Directors and Officers are indemnified, under a Directors' and Officers' Liability insurance, up to a limit of RM15 million for any one claim in aggregate, against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company. However, the insurance does not provide coverage where there is negligence, default, breach of duty or breach of trust proven against the Directors or Officers.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

Disclosure Policy

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community. This is achieved through a comprehensive annual report, accurate and timely disclosures and announcements to Bursa Securities, distribution of circulars and press releases and also conducting dialogues and briefings with/for analysts, fund managers, potential investors, locally and abroad, and shareholders from time to time. The Company has participated in various road shows to update institutional investors based in Malaysia and abroad in UK, France, USA, Hongkong, Japan, Australia and Singapore in the year under review.

All communications with the media/public and disclosures made to Bursa Securities are in accordance with the UMW Corporate Disclosure Policy and Procedures and the disclosure requirements of the Bursa Securities Listing Requirements. The Manager, Investor Relations & Website, coordinates the disclosure of information to analysts, institutional investors, the media and the investing public. He reports to the Group Secretary/Executive Director, UMW Corporation Sdn. Bhd.

The investor relations programmes are well-crafted and skilfully executed by Executive Directors in the Group who provide views and information on the Group, creating wider awareness of the Group's businesses, broad strategies and results analysis and increasing Group visibility and recognition in the global market.

Contacts for Investor Relations Matters

No.	Name	Designation	Contact Details
1	Dato' Abdul Halim bin Harun	Group Managing Director & CEO	(603) 51635006 e-mail : halimharun@umw.com.my
2	Suseela Menon	Executive Director, UMW Corporation Sdn. Bhd.	(603) 51635101 e-mail : suseela.menon@umw.com.my
3	Meor Mohar Azhar bin Abd. Ghani	Executive Director, UMW Corporation Sdn. Bhd.	(603) 51635163 e-mail : meor.azhar@umw.com.my
4	Chang Kong Meng	Manager, Investor Relations & Website	(603) 51635112 e-mail : chang.kong.meng@umw.com.my

CORPORATE GOVERNANCE (CONT'D.)

The Company's website at www.umw.com.my provides easy access to corporate information pertaining to the Group and its activities.

Annual General Meeting

The Company regards the AGM as the principal forum for direct interaction among shareholders, Board and management. A presentation on the Group's operations and financial performance is made at every AGM. The AGM provides an important avenue for effective communication with shareholders and for receiving constructive feedback particularly on matters concerning shareholders' interests.

In accordance with the Bursa Securities Listing Requirements and the Articles of Association of the Company, the notice of the AGM and the annual report are sent out to shareholders at least twenty-one (21) days before the date of the meeting. Apart from the usual agenda for the AGM, the Board presents the progress of the Group's operations and financial performance. Shareholders are encouraged to actively participate in the question and answer session and the Board and management are at hand to clarify issues highlighted and to provide responses to questions raised by shareholders during the meeting. Any significant questions that cannot be readily answered at the meeting will be addressed subsequently in writing by management.

The external auditors and advisers of corporate exercises, where applicable, attend general meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

A press conference is held after each AGM whereat the Chairman and Group Managing Director & Chief Executive Officer and also relevant corporate Executive Directors advise the media of the resolutions passed by shareholders, brief the media on the operations, performance and financial results of the Group for the year under review and clarify issues and answer questions posed by the media. In addition, press releases on corporate initiatives are provided to the media in a timely manner.

Each item of special business included in the notice of AGM is accompanied by a full explanation of the effects of the proposed resolution to facilitate full understanding and evaluation of the issues involved.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to Bursa Securities and all disclosures to shareholders, the Board is fully committed to providing a clear, balanced and comprehensible assessment of the Group's financial performance and its future prospects. The Board believes in the principle of being transparent and this extends to all information and reports submitted to Bursa Securities and other regulators.

Key Performance Indicators

The Company's actual performance for the year ended 31 December 2008, surpassed its target headline key performance indicators, as stated below -

Key Performance Indicators	2008 Target Headline (%)	2008 Achievement (%)
Annual return on shareholders' funds	14.0	17.0
Annual dividend payout ratio of net profit attributable to shareholders	50.0	57.6

CORPORATE GOVERNANCE (CONT'D.)

Directors' Responsibility Statement

The Board of Directors is responsible for ensuring that the financial statements of each financial year are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards set by the Malaysian Accounting Standards Board. It is also the responsibility of the Board of Directors to ensure that the financial statements represent a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and the cash flows of the Group and the Company for the financial year.

The Directors have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates in preparing the above financial statements. All applicable approved accounting standards have been followed and the financial statements have been prepared on a going concern basis, having made due enquiries that the Group and the Company have adequate resources to continue operations in the foreseeable future. Accounting records maintained disclose with reasonable accuracy, the financial position of the Group and the Company.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Related Party Transactions

All related party transactions are forwarded to the Internal Auditors on a monthly basis for review. A Director who has interest in a transaction abstains from all deliberation and voting on the matter either at the Board level or at the general meeting convened for the purpose of considering the matter.

The recurrent related party transactions entered into by the Group with its related parties in the year under review were for sale of vehicles, vehicle spare parts, vehicle completely knocked down units and components and workshop service.

Details of related party transactions are set out on pages 73 to 75 of this annual report.

Internal Controls

The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material mis-statement or loss.

The Directors acknowledge their responsibility for the Group's system of internal controls covering financial, operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system.

An overview of the state of internal controls within the Group is given in the Statement on Internal Controls set out on pages 60 to 61 of this annual report.



CORPORATE GOVERNANCE (CONT'D.)

Relationship with External Auditors

The Group maintains an active and transparent relationship with its external auditors through the Audit Committee of the Board. The external auditors are invited to attend Audit Committee meetings when deemed necessary. In the year under review, the Audit Committee has met the external auditors twice without the presence of Executive Directors or management. Apart from this, the external auditors are also invited to attend the AGM of the Company. The Audit Committee report outlining the Committee's role in relation to the external auditors is set out on pages 18 to 20 of this annual report.

Details of the annual audit fees and non-audit fees paid to the external auditors for the financial year ended 31 December 2008 are as follows -

	Company (RM)	Group (RM)
Fees paid to principal auditors		
• Statutory Audit	100,000	1,822,000
• Non-Audit	-	*1,631,000
Fees paid to other auditors		
• Statutory Audit	-	892,000
• Non-Audit	-	-
Total	100,000	4,345,000

**Tax fee and consultancy/advisory services*

Compliance Statement

The Board is of the view that the Group has taken necessary steps throughout the financial year under review to comply with the principles and best practices of the Code. The Board will continue to review, enhance and promote the best practices of corporate governance throughout the Group in its effort to achieve the highest standards of transparency, accountability and above all, integrity.

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 7 May 2009.



ASMAT BIN KAMALUDIN
Group Chairman



STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the company's assets. Under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), listed companies are to include a statement in their annual report on the state of their internal controls as a group. Set out below is the Board of Directors' Statement on Internal Controls, which was prepared in accordance with the guidelines provided by Bursa Securities.

RESPONSIBILITY

The Directors affirm their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system. The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material mis-statement or loss.

RISK MANAGEMENT FRAMEWORK

The Board recognises the importance of having in place a risk management system to identify principal risks and to implement appropriate controls to manage such risks. Briefings on risk management are conducted for senior management as part of the Group's effort to instil a proactive risk management culture and to implement a proper risk management framework in the Group.

On 25 February 2003, the Board approved a risk management system framework and established a

process for the identification, evaluation and reporting of major risks within the Company and its subsidiaries. The process established is in line with the guidelines set out in the Statement on Internal Controls-Guidance for Directors of Public-Listed Companies. Policies and procedures for the regular review and management of these risks were adopted for implementation throughout the Group.

The Group's Risk Management function is described on page 62 of this annual report.

INTERNAL AUDIT FUNCTION

The Group has an adequately resourced Internal Audit Division ("IAD") which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal controls and governance processes. The audit plan is approved by the Audit Committee each year. The scope of internal audit covers the audits of all units and operations within the Group, including also certain associated companies. The audit also covers the Group's major information systems and applications.

The IAD ensures that the system of internal controls remains effective and efficient, is adequately monitored and enhanced when the need arises. The IAD, which is completely independent of all operating units, performs regular reviews of significant areas of risk and reports directly to the Audit Committee of the Board on major findings and any significant control issues and concerns. The Audit Committee then reviews all reports generated by the IAD and recommends appropriate actions to strengthen controls. The Audit Committee also provides to the Board an independent assessment of the significant changes in the business and external environment which give rise to risks, and reviews the adequacy and effectiveness of the risk management processes as well as compliance with risk policies and regulatory guidelines.

STATEMENT OF INTERNAL CONTROLS (CONT'D.)

MONITORING AND REVIEWING THE EFFECTIVENESS OF THE SYSTEM ON INTERNAL CONTROLS

There is a comprehensive budgeting system with annual budget and business plans approved by the Board each year. During the business planning session, each operating unit performs a critical self-assessment which involves analysis of strengths, weaknesses, opportunities, problems and threats together with action plans to address issues identified. Budgets prepared by operating units are regularly updated and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board. These management reports analyse and explain variances against plan and report on key performance indicators.

The monitoring of control procedures is achieved through monthly management review of operating results by Heads of Operating Units as well as by the Heads of Strategic Business Units. This is supplemented by a comprehensive review undertaken by the internal audit function on the controls in operation in each individual business process and the state of internal controls. Reports on the reviews carried out by the internal audit function are submitted on a regular basis to the senior management and the Audit Committee members. These reports assess the impact of control issues and recommend appropriate actions to strengthen controls.

Regular internal visits are made to operating units by senior management to monitor compliance with procedures and to assess performance.

The Group Managing Director & Chief Executive Officer and Executive Director, Group Finance and Administration, report to the Audit Committee on the status of management's action plans to address issues highlighted by the IAD on a quarterly basis.

The Board does not regularly review the internal control systems of associated companies, as the Board does not have any direct control over their operations. Notwithstanding the above, the Group's interests are served through representation on the Boards of the respective associated companies and receipt and review of management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investments based on the performance of the associated companies. The representation also enables the Group to exercise influence over the financial and operating policies of associated companies.

The monitoring, review and reporting arrangements in place give reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations. The Board believes that the system of internal controls is adequate and effective in achieving the Group's business objectives. However, the Group will continue to improve and enhance the existing system of internal controls in anticipation of changes in the business environment following changes in technology and regulatory requirements.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The Board is committed to maintaining a strong control structure and environment for the proper conduct of the Group's business operations. The key elements are as follows -

1. Clearly-defined procedures and controls, including information systems controls, are in place to ensure the reporting of complete and accurate accounting information. The control systems are for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.
2. There is a clearly defined delegation of responsibilities to Committees of the Board and to management and operating units, including appropriate authorisation levels for all aspects of the business.
3. Clearly-defined and documented financial limits of delegated authority are in place, and these are regularly updated to reflect changing risks or to resolve operational deficiencies.
4. Corporate values which emphasise ethical behaviour are set out in the Group's "Our Promise" Statement and Executive handbook.
5. Emphasis is placed on the quality and abilities of employees with continuing education, training and development actively encouraged through a wide variety of programmes.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the current financial year.

RISK MANAGEMENT

The UMW Group adopts a structured and disciplined approach to risk management with its Enterprise Risk Management (“ERM”) framework. Under the ERM framework, a holistic, integrated, future-focused, and process-oriented approach is adopted to assist the Group to manage all key businesses and opportunities with the intent of maximising shareholder value for the Group as a whole.

The ERM framework incorporates a well-structured systematic process to identify business risks and reduce their impact on the Group. This involves the following core elements -

- Establishing a risk management framework within which risk management activities take place;
- The identification of each business risk which may prevent achievement of business objectives;
- The measurement of the identified business risks;
- The control or method by which risks are managed in line with the needs of the Group’s policies and strategies; and
- Constant monitoring and communicating of risks associated with any activity, function or process in a way that will enable the Group to minimise losses and maximise opportunities.

The context within which the Group manages the risks and key focus of accountability for this is as follows -

Type of Risks	Accountability
Strategic Risks	Board and Group Managing Director & Chief Executive Officer
Operational Risks	Heads of Strategic Business Units (“SBU”)

Strategic risks are primarily risks caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and the Group Managing Director & Chief Executive Officer. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.

Operational risks are inherent in the ongoing activities within the different SBUs of the Group. Typically, some of the risks cover foreign exchange, credit, competition, technology, etc. Senior management needs ongoing

assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs.

In this context, the ERM framework aligns UMW’s strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks that the Group faces as it creates value.

The Management Committee of UMW has assumed the role of the Risk Management Committee (“RMC”). The main key roles of the RMC in risk management include the following -

- Communicate the Board’s vision, strategy, policy and responsibilities to all employees within the Group with the objective of creating and maintaining a strong risk management culture;
- Identify and communicate to the Board the critical risks that the Group faces and management’s action plans to manage such risks;
- Perform risk oversight and review risk profiles; and
- Provide guidance to business units on the Group’s and business units’ risk appetite and capacity.

The Group will continue to develop, implement and maintain sound risk management practices which are consistent with good corporate governance to achieve the above objectives.

The RMC reviews all major risks at least twice a year. At the last RMC meeting held in December 2008, the RMC reviewed the risk profiles of its core divisions and the action plans to mitigate the critical risks.

Additional meetings will be called for, as and when necessary. The IAD submits regular reports to the Audit Committee of the Board on critical risks and proposed action plans to be implemented to mitigate such exposure.

The RMC is assisted by the Heads of each SBU who act as Risk Officers. These Risk Officers are responsible for identifying, measuring, controlling, monitoring and reporting all critical risks and for advising the RMC on action plans to address these risks accordingly.

The Audit Committee of the Board has approved the UMW Risk Management Policies and Procedures, which was adopted by all SBUs on 25 February 2003. As at the end of 2008, all major operating companies in the Group, including the Corporate Divisions, have completed their ERM framework.

CORPORATE SOCIAL RESPONSIBILITY

As we go *Beyond Boundaries*®, we know that a world-class brand never forgets its responsibility to society. Corporate Social Responsibility ("CSR") is something UMW has always done, not because it is something we *have* to undertake, but because it is something we *want* to undertake. Our CSR not only includes charity but also goes beyond it in that it is comprehensive and covers the marketplace, workplace, environment and the community.

In August 2008, UMW Holdings Berhad officially launched its maiden CSR Report, which was awarded an A+ certification from the Global Reporting Initiatives (GRI) Collaborating Centre of the United Nations Environment Programme. The event also marked UMW's renewed commitment towards CSR.

Throughout the year, UMW continued to support many worthy causes in the areas of education, environment and healthcare and engaged in other social and charitable activities as well.

Education

In 2008, UMW provided scholarships totalling RM91,675 for outstanding students, which is a mark up from the RM70,000 provided in the previous year. We also disbursed RM400,000 to the Tun Ismail Mohamed Ali Foundation, an organisation which provides scholarships for exceptional students to enrol in world-renowned universities and which sponsors research programmes at local universities. The sum contributed to the organisation is part of a five-year RM2 million pledge.

Our mission to encourage and reward academic excellence is not just limited to tertiary-level students. The Group also rewarded PMR high achievers through our PMR Achievement Awards, which saw a total of 36 deserving students from 18 secondary schools around Shah Alam being presented with Amanah Saham Gemilang unit trusts. The reward is also our way of encouraging students to save for their future.

2008 also saw UMW expand its PINTAR ("Promoting Intelligence, Nurturing Talent, Advocating Responsibilities") Programme to include two other primary schools - one each in Perak and Kelantan. The PINTAR programme is a joint venture among Government-Linked Companies, the Ministry of Finance and the Ministry of Education and is aimed at improving student performance in rural areas. As part of the programme, UMW had organised motivational



workshops, sponsored tuition classes and workbooks for all four of its adopted PINTAR schools. For 2008, the value of our PINTAR activities amounted to RM111,931.

On top of helping students achieve first-rate academic performance, UMW has taken a holistic approach towards education by also encouraging children to develop and pursue healthy, extra-curricular interests such as music. UMW has been a proud supporter of the school band of Sekolah Menengah Sultan Salahuddin Abdul Aziz Shah, Shah Alam since 1982, through the provision of an annual grant of RM5,000 and contribution of uniforms and musical instruments.

Environment

The Group also continued its efforts to promote good environmental practices within the community through a whole range of activities, including the newly-launched Toyota Eco Rangers Programme. The three-year Toyota Eco Rangers Programme was launched in June 2008 and is an extension of the bigger Toyota Eco Youth initiative, undertaken by UMW Toyota Motor Sdn. Bhd. for the past eight years. The programme "adopted" 22 secondary

CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

schools in the Klang Valley and these schools were encouraged to actively engage in various eco projects to raise environmental awareness. Projects ranged from cultivating herb gardens, revitalising plant and water features within the school compound to producing a viable waste reduction plan. Participants were also required to plant 100 indigenous trees within the school compound. The schools were given an initial grant to kick-start their projects. Greater incentives and rewards will be given to schools that have shown the most progress after one year.

Healthcare and Other Social & Charitable Activities

On the healthcare front, the UMW Group continued to be one of the largest contributors to the Majlis Kanser Nasional payroll project. We were on hand to support medical and humanitarian relief efforts in times of natural disasters and these efforts were not just confined to Malaysia. We contributed RM75,000 towards MERCY operations in assisting Cyclone Nargis victims in Myanmar. Our Myanmar office was used by MERCY Malaysia as a base for its relief work and we provided transportation and logistics services. A sum of RM250,000 was also contributed to the China Earthquake Relief Fund, which were donations from UMW's very own employees and its overseas joint venture business partners.

Even in times of non-disasters, UMW fully understands and recognises the need to help the less-fortunate and underprivileged. Once again, UMW brought the Toyota Classics Concert to Malaysia and the annual event has grossed a cumulative total of RM5,326,386 since it was first held in 1990. The Toyota Classics Concert 2008 featured the Vienna Operetta Orchestra, Austria, and proceeds from ticket sales and corporate donations, which amounted to RM444,900, were channelled to four deserving beneficiaries, i.e., Yayasan Raja Muda Selangor, Montfort Youth Centre (Melaka), Persatuan Pemulihan Kusta Malaysia (Sarawak) and Pusat Harian Kanak-Kanak Spastik (Perak).

In the course of fulfilling our responsibilities towards society, the less-fortunate are not forgotten during festive seasons. Our Day of Love programme includes visits to old folks homes, breaking fast sessions with orphans as well as financial contributions to those in need.



Moving Forward

UMW has a long history of building sustainable relationships with community groups. In December 2008, we decided to go a step further by formalising a CSR partnership with two established Non-Governmental Organisations - MERCY Malaysia and Yayasan Anak Warisan Alam. The partnership will see us embark on four exciting new projects in 2009. We hope that these projects will deliver continuing long term benefits to the community and environment.

HEALTH, SAFETY AND ENVIRONMENT

The Group is fully committed to ensuring a safe and healthy working environment for its employees, as stipulated in the UMW Safety and Health Policy.

Occupational Safety & Health Management System ("OHSAS 18001")

The Group recognises the benefits of OHSAS 18001 and certification for all companies will be made in phases.

On 18 January 2008, Automotive Industries Sendirian Berhad became the first company in the Group to be awarded the OHSAS 18001 certification by SIRIM QAS International Sdn.Bhd.

Similarly, the Non-Motor Group has taken on the challenge by combining forces and leveraging on cross-functional resources to achieve certification for UMW Corporation Sdn.Bhd., UMW Industries (1985) Sdn.Bhd., UMW Industrial Power Sdn. Bhd., UMW Equipment Sdn. Bhd. and UMW Advantech Sdn. Bhd. The project kicked off in May 2008 and certification is targeted in the first quarter of 2009.

Health, Safety and Environment ("HSE") Activities

During the year under review, various activities were organised to inculcate high HSE standards amongst UMW employees. KYB-UMW Malaysia Sdn. Bhd. held a Safety Week Campaign from 14 to 16 September 2008 at its West Plant in Teluk Panglima Garang, Hulu Langat, Selangor Darul Ehsan.

Road Safety Programmes were also conducted to increase road safety knowledge and awareness amongst employees to minimise the number of road accident cases. UMW Toyota Motor Sdn. Bhd. launched Malaysia's first online road safety club, the Traffic Heroes Club ("THC") on 3 June 2008. THC is targeted at primary school children between the ages of 7 to 12. It was conceived as a means of disseminating road safety knowledge and tips to children in a fun and enjoyable manner using online games, puzzles and contests.

Toyota Boshoku UMW Sdn. Bhd. also organised an Environment Month in June 2008 to increase awareness on carbon dioxide reduction, and Safety Days in the months of July, August and September.



HSE talks, which form part of UMW's Safety Awareness Programme, are conducted on a regular basis for employees. The talks provide updates on current issues relating to HSE and on the latest government requirements and regulations on the matter.

Training sessions on the Group's Crisis Action Plan are frequently organised to ensure all Emergency Response Team members are kept up-to-date and in a state of readiness at all times.

Safety Audits and Re-Audit

Safety audits and re-audit activities are conducted on a regular basis group-wide to assist companies in identifying safety and health hazards, reporting conditions that have potential to cause accidents and complying with regulations and requirements.

Fire preparedness trainings were conducted at branches in Peninsular Malaysia and also Sabah and Sarawak to create awareness on fire-fighting techniques including evacuation and fire drill.

Safety induction programmes continue to feature in all induction programmes for new employees.

The Group will continue to support programmes that will improve health, safety and environmental standards to maintain a healthy and safe workplace for its employees.

HUMAN CAPITAL, TRAINING AND DEVELOPMENT

Role of Employees

Our employees play a pivotal role in the success of our business. During the year, the Group continued to drive and accelerate its human capital transformation agenda that kick-started in August 2007. With the "Beyond Boundaries®" theme and the core values of Honour, Vibrant, Unshakeable and Pioneering as the backdrop driver, all transformation initiatives are well on track towards -

- Institutionalising high performance and thinking culture;
- Nurturing global mindset and leadership talents;
- Providing a balanced working life plan; and
- Developing engaged and competent workforce.

Performance Management

Spearheading the transformation initiative is a new KPI-driven approach in Performance Management. The system and processes have been redesigned and training programmes are ongoing to equip appraisers with the required skills for the new Performance Management approach, which is expected to roll out in 2009.

Leadership Development and Succession

Moving in tandem with the Performance Management initiative is the development of a systematic approach in Leadership Development and Succession. A Leadership Development and Succession audit pioneered the exercise that provided critical inputs on the gaps that need to be addressed. Relevant measures to address these gaps have been identified and are taking shape.

Talent Recruitment

The Group has undertaken a fresh strategic approach in talent recruitment, driven by potential and competencies. Training and licensing of recruiters are ongoing and as a policy going forward, only licensed recruiters will be permitted to conduct selection of talents.

Rewards

The rewards policy has been further refined, providing greater differentiation between different levels of performance and rewarding high performers.



Employee Development Council

With over 10,500 employees group-wide, an important step in the human capital transformation journey is to have a high level forum to review, deliberate and endorse the Group's human capital policies and strategic matters. The Employee Development Council ("EDC") was established in September 2008. The EDC, comprising the Group Managing Director & Chief Executive Officer and members of the Management Committee, meets on a regular basis.

Sports & Recreation

To UMW, providing a balanced working life plan means having a balanced healthy lifestyle as well. Besides fostering teamwork and encouraging camaraderie, sporting and recreational events are great platforms for encouraging a balanced healthy lifestyle. The Group, through its Sports & Recreation Club, organises regular sporting activities such as the 2008 Group Sports Carnival, which was held in Penang. A total of 1,600 employees participated in this nationwide event.

Union Relations

Through upholding and practising the principles of mutual respect, consultation, empathy and tolerance, we continue to maintain cordial and harmonious relationship with both in-house and the national unions. Under the current bearish market conditions, both parties are set to work together in seeking a win-win solution for the Collective Agreement (2009-2011) negotiations.

CALENDAR OF EVENTS

JANUARY



- 18 Automotive Industries Sendirian Berhad was awarded the OHSAS 18001 certification by SIRIM QAS International Sdn. Bhd.
- 28 UMW Toyota Motor Sdn. Bhd. introduced the new Toyota Rush at its Subang Jaya 3S centre.
- 29 The New UMW was unveiled to the world at a colourful and entertaining launching ceremony held at the Kuala Lumpur Convention Centre. It marked the beginning of the Group's journey to becoming a truly world-class brand.
- 30 UMW Oil & Gas Division held a signing ceremony for the acquisition of Offshore Construction Services Pte. Ltd., a Singapore-based company that owns a fabrication yard along the Gul Basin in Jurong.
- 31 U-TravelWide Sdn. Bhd. became the first corporation in Malaysia to adopt Amadeus' award-winning e-Travel Management Solution.

FEBRUARY



- 19 The UMW Toyota Motor Sdn. Bhd. 8th Toyota Eco Youth Programme, an initiative to instil environmental awareness amongst Malaysian secondary school children, was launched by Dato' Hajjah Noor Rezan Bapoo Hashim, Deputy Director-General of the Schools Department, Ministry of Education.
- 21 UMW Pennzoil Distributors Sdn. Bhd. launched the Pennzoil Fastrac™ Series Motorcycle Oil at Sheraton Subang Hotel & Tower, Subang Jaya. The Fastrac™ Series promises excellent protection and environmental-friendly performance for motorcycles.

MARCH

- 13 The long-awaited new Toyota Corolla Altis made its debut in a media preview at the Kuala Lumpur Convention Centre. Toyota took a step forward into the future with the 10th generation Corolla to appeal on desirability as much as reliability.

CALENDAR OF EVENTS (CONT'D.)

APRIL



- 2 Four corporate events, comprising the GLC Transformation Update, Red Book Signing Ceremony, Statement on Internal Controls & Management Policy and CEO Awards 2007, were held on the same day.
- 3 The UMW Group's management team and 12 members of the media headed off to Ho Chi Minh City, Vietnam for a 3-day media familiarisation programme.
- 4 Dato' Abdul Halim Harun, UMW Group Managing Director & CEO, officially opened the wharf facility at Vina Offshore. The ground-breaking ceremony of Vina Offshore's new development at Vung Tau, Vietnam was also held on the same day.
- 22 A Share Sale Agreement was executed between UMW India Ventures (L) Ltd. and Jogen N. Buragohain for the acquisition of 60% of the latter's equity holding in Jaybee Drilling Private Limited, India.
- 30 UMW Oil & Gas Division further expanded its fabrication unit through a Shareholders' Agreement and Sale of Shares Agreement with DKLS Oil & Gas Sdn. Bhd., a wholly-owned subsidiary of DKLS Industries Berhad. The signing was for the set up of a fabrication unit in Lumut, Perak.

MAY



- 14 UMW Toyota Motor Sdn. Bhd. celebrated a significant milestone with the 100,000th Toyota Vios on Malaysian roads.
- 20 The UMW Group donated RM75,000 to the MERCY Malaysia Humanitarian Fund in response to the critical need for humanitarian relief in Myanmar brought on by Cyclone Nargis.
- 22 UMW organised the PMR Achievement Award for 36 students from 18 schools in Shah Alam. Held at the same event was the Academic Excellence Award for 83 children of UMW employees who received excellent results for their UPSR, PMR and SPM examinations.
- 23 UMW donated RM250,000 to China's Earthquake Relief Fund, being contributions from the Group's subsidiaries, business partners and employees in Malaysia and overseas.

CALENDAR OF EVENTS (CONT'D.)

JUNE



- 3 UMW Toyota Motor Sdn. Bhd. launched Malaysia's first online road safety club, the Traffic Heroes Club ("THC"). Through THC, road safety knowledge and tips to primary school children will be disseminated in a fun and enjoyable manner.
- 19 UMW contributed RM111,931 towards the PINTAR Programme for 2008. 1,600 secondary school children from four schools benefited from this initiative.
- 19 UMW Equipment Sdn. Bhd. introduced the Cherrington beachcleaners - a range of mobile beach cleaners, which offer a comprehensive solution for cleaner, more pristine beaches in Port Dickson, Negri Sembilan.
- 28 UMW Oil & Gas held a ground-breaking ceremony at its fabrication yard in Lumut which was officiated by the Menteri Besar of Perak.

JULY



- 1 UMW Oil & Gas held a project financing closure ceremony for United Seamless Tubular Private Limited ("USTPL"). USTPL is a joint venture effort between UMW India Ventures (L) Ltd. and the Kamineni Group to set up a rolling mill for the manufacture of seamless tubular green pipes for both OCTG and industrial applications.
- 2 UMW Industrial Power Sdn. Bhd. and NGV Tech Sdn. Bhd. signed a Memorandum of Understanding for the supply of ten units of GE Marine Engines Model 12V228 medium-speed engines.
- 25 UMW Corporation Sdn. Bhd. signed a Letter of Intent with Dah Chong Hong (Motor Service Centre) Limited for the establishment of a joint venture company to develop the business of manufacturing and processing of lubricants in China.

AUGUST

- 12 UMW Standard Drilling Sdn. Bhd., a joint venture between UMW Corporation Sdn. Bhd. and Standard Drilling ASA of Norway, signed a contract for the services of NAGA 2, with PCPP Operating Company Sdn. Bhd. in Batam, Indonesia.
- 18 The first UMW CSR Report was officially launched at the Mandarin Oriental, Kuala Lumpur. UMW is the first corporation in Malaysia to be accorded a level A+ rating from Global Reporting Initiatives (GRI) Collaborating Centre for its CSR report.
- 22 UMW Toyota Motor Sdn. Bhd. achieved the No. 1 ranking in Sales Satisfaction Index and Customer Satisfaction Index in the JD Power Asia Pacific 2008 Malaysia Customer Satisfaction Index (CSI) Study 2008.

CALENDAR OF EVENTS (CONT'D.)

SEPTEMBER



- 19 50 orphans and eight single mothers of Rumah Penyayang Nu Hikmah, Kajang, were invited to UMW for the Majlis Berbuka Puasa and Nuzul Quran.

OCTOBER

- 10 UMW's corporate history book, *Turning Points: The UMW Story* was officially launched at the Kuala Lumpur Convention Centre.
- 10 UMW Corporation Sdn. Bhd. and Hong Kong-based Dah Chong Hong (Motor Service Centre) Limited, a wholly-owned subsidiary of Dah Chong Hong Holdings Limited, formalised a deal to set up a joint venture company known as Lubritech International Holdings Limited to manufacture and process lubricants in China.
- 29 UMW Corporation Sdn. Bhd., Titanium Assets Holdings Sdn. Bhd., R. Remakantan a/l Ramachandran and Mohan Krishna a/l Kunanayagam formalised a partnership through Coldfusion Engineering Sdn. Bhd., a joint venture company, to provide turnkey solutions of Low Temperature Co-fired Ceramics and Thick Films Technology products for the global electronics industry.

NOVEMBER

- 15 UMW Toyota Motor Sdn. Bhd. and Tribe Toyota members joined forces to break a Malaysian record by creating the biggest Toyota logo made of recyclable cans.

DECEMBER



- 12 UMW Petrodril (Malaysia) Sdn. Bhd. entered into a joint venture with SNUBCO Pressure Control International Ltd., to set up UMW Pressure Control Sdn. Bhd., to carry on a business of providing pressure control related services to the Oil & Gas industry.
- 15 The Toyota Classics Concert, featuring world-renowned Vienna Operetta Orchestra, Austria, raised RM444,900 from ticket sales and corporate donations, which were channelled to four beneficiaries, namely the Yayasan Raja Muda Selangor, Montfort Youth Centre (Melaka), Persatuan Pemulihan Kusta Malaysia (Sarawak) and Pusat Harian Kanak-Kanak Spastik (Perak).
- 18 A Memorandum of Understanding signing ceremony was held to formalise UMW's Corporate Social Responsibility partnership with established Non-Governmental Organisations, i.e., MERCY Malaysia and Yayasan Anak Warisan Alam.

STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2009

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital : RM1,000,000,000 (comprising 2,000,000,000 ordinary shares of par value RM0.50 each)
 Issued and Paid-up Capital : RM548,737,066 (comprising 1,097,474,132 ordinary shares of par value RM0.50 each)

DISTRIBUTION OF SHAREHOLDINGS

No. Of Holders	Holdings	Total Holdings	%
308	Less than 100	10,704	0.00
1,433	100 to 1,000	983,793	0.09
2,679	1,001 to 10,000	10,902,720	0.99
853	10,001 to 100,000	24,130,830	2.20
223	100,001 to less than 5% of issued shares	332,773,747	30.32
3	5% and above of issued shares	728,672,338	66.40
5,499		1,097,474,132	100.00

Note : There is only one class of shares in the paid-up capital of the Company. Each share entitles the holder to one vote.

DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY

In accordance with the Register of Directors' Shareholdings, the Directors' direct and deemed interests in shares in the Company are as follows -

Directors	Direct Interest	Deemed Interest	%
1. Tan Sri Datuk Asmat bin Kamaludin	-	18,000	0.00
2. Dato' Abdul Halim bin Harun	500,066	-	0.05

THIRTY LARGEST SHAREHOLDERS

Shareholders	No. Of Shares	%
1. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Skim Amanah Saham Bumiputera	443,746,834	40.43
2. Employees Provident Fund Board	145,507,504	13.26
3. Permodalan Nasional Berhad	139,418,000	12.70
4. Kumpulan Wang Persaraan (Diperbadankan)	49,066,800	4.47
5. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Wawasan 2020	43,894,900	4.00
6. Valuecap Sdn. Bhd.	26,445,300	2.41
7. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Didik	22,803,600	2.08
8. Lembaga Tabung Haji	16,144,000	1.47
9. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Malaysia	13,596,600	1.24
10. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	12,643,300	1.15
11. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For American International Assurance Berhad	7,674,000	0.70
12. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Sekim Amanah Saham Nasional	5,556,500	0.51
13. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Islamic Dividend Fund	5,477,000	0.50
14. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For Prudential Fund Management Berhad	5,069,800	0.46
15. HSBC Nominees (Asing) Sdn. Bhd. - BBH And Co. Boston For Vanguard Emerging Markets Stock Index Fund	4,506,360	0.41
16. AM Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (A/C1)	4,287,400	0.39
17. HSBC Nominees (Asing) Sdn. Bhd. - Exempt An For JPMorgan Chase Bank, National Association (U.A.E.)	3,785,982	0.34
18. Cartaban Nominees (Asing) Sdn. Bhd. - State Street For Ishares, Inc.	3,594,000	0.33
19. HSBC Nominees (Asing) Sdn. Bhd. - Exempt An For JPMorgan Chase Bank, National Association (Norges Bank)	3,506,900	0.32
20. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public China Itikal Fund	3,259,400	0.30
21. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Exempt An For Deutsche Trustees Malaysia Berhad (MYETF-DJIM25)	3,098,600	0.28
22. SBB Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	2,892,500	0.26
23. Citigroup Nominees (Asing) Sdn. Bhd. - CBNY For DFA Emerging Markets Fund	2,726,886	0.25
24. Alliancegroup Nominees (Tempatan) Sdn. Bhd. - PHEIM Asset Management Sdn. Bhd. for Employees Provident Fund	2,600,000	0.24
25. RHB Nominees (Tempatan) Sdn. Bhd. - RHB Investment Management Sdn. Bhd. For Kumpulan Wang Simpanan Pekerja	2,600,000	0.24
26. Mayban Nominees (Tempatan) Sdn. Bhd. - Mayban Investment Management Sdn. Bhd. For Kumpulan Wang Simpanan Pekerja (N14011980810)	2,370,000	0.22
27. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Islamic Asia Dividend Fund	2,257,600	0.20
28. Cartaban Nominees (Asing) Sdn. Bhd. - State Street For MSCI Equity Index Fund B Malaysia (Barclays G Inv)	2,256,926	0.20
29. SBB Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Persaraan (Diperbadankan)	1,951,500	0.18
30. Amanah Raya Berhad - Kumpulan Wang Bersama Syariah	1,750,000	0.16
Total	984,488,192	89.70

SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct Interest	Deemed Interest	%
1. Skim Amanah Saham Bumiputera	-	443,746,834	40.43
2. Employees Provident Fund Board	147,007,504*	17,551,600	15.00
3. Permodalan Nasional Berhad	139,418,000	-	12.70
	286,425,504	461,298,434	68.13

Note : *Including an account registered under Kumpulan Wang Simpanan Pekerja (RHB Investment Bank Berhad) for 1.5 million ordinary shares (0.14%)

The above information was based on Bursa Malaysia Depository Sdn. Bhd.'s records received on 4 May 2009.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

No proceeds were raised from any corporate proposals during the financial year under review.

Share Buy-Backs

There was no share buy-back by the Company during the financial year under review.

Options, Warrants or Convertible Securities

The amount of share options issued by the Company and exercised by eligible employees during the financial year under review is disclosed in the Directors' Report and Note 14 (d) to the Financial Statements for the year ended 31 December 2008.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year under review.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory body during the financial year under review.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2008 by the Company's external auditors or their affiliates is disclosed under Corporate Governance on page 59 and in Note 25 of the Financial Statements.

Variation in Results

There were no variances of 10% or more between the results for the financial year 2008 and the unaudited results previously announced.

Profit Guarantees

The Company did not give any profit guarantee during the financial year under review.

Revaluation Policy

Land and buildings of the Group have not been revalued since they were first revalued in 1979, 1984 and 1985. The Directors have not adopted a policy of regular revaluation of such assets. These assets are stated at their respective valuation less accumulated depreciation and accumulated impairment losses.

Material Contracts

Particulars of material contracts of UMW and its subsidiaries, involving Directors' and major shareholders' interests, are as follows -

- (a) Shareholders' Agreement dated 2 July 1997 ("the Agreement") between UMW-PNSB Development Sdn. Bhd. ("UMW-PNSB"), UMW Corporation Sdn. Bhd. ("UMWC"), TTDI Development Sdn. Bhd. ("TTDI"), formerly a Permodalan Nasional Berhad-related party, and Permodalan Negeri Selangor Berhad ("PNSB") in connection with the joint venture between the parties for a property development project. Pursuant to the Agreement, TTDI acquired 19% and 20% from UMWC and PNSB, respectively, of the total issued and paid-up share capital of UMW-PNSB for a total cash consideration of RM25,326,525 and RM26,659,500. A Supplementary Shareholders' Agreement dated 31 March 1998 (supplemental to the Shareholders' Agreement dated 2 July 1997) between UMW-PNSB, UMWC, TTDI and PNSB to facilitate the payment of the purchase price by TTDI to UMWC and PNSB. Supplementary Shareholders' Agreement No. 2 dated 24 November 2000 between UMW-PNSB, UMWC, TTDI and PNSB in respect of the amendments to the pre-emption rights of the shareholders. Pursuant to this Agreement, Permodalan Nasional Berhad ("PNB") acquired 39% of the equity holding of TTDI in UMW-PNSB in May 2001. PNB is now a shareholder of UMW-PNSB and the PNB Group is the largest shareholder of UMW Holdings Berhad, the parent company of UMWC, and therefore a related party.
- (b) Joint Venture Agreement dated 2 February 1993 between PNB Equity Resource Corporation Sdn. Bhd. ("PNB EQUITY"), a related party, UMW Corporation Sdn. Bhd. ("UMWC"), Med-Bumikar Mara Sdn. Bhd. ("MBM"), Daihatsu (Malaysia) Sdn. Bhd. ("DMSB"), Daihatsu Motor Co. Ltd. ("DMC") and Mitsui & Co. Ltd.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D.)

("MBK") in respect of a joint venture to set up Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") to undertake the manufacture of the second Malaysian national car.

Supplement and Amendment Agreement dated 5 December 2001 between UMWC, DMC, MBM Resources Berhad, PNB EQUITY, MBK and DMSB in respect of the setting up of Perodua Auto Corporation Sdn. Bhd. and the restructuring of the manufacturing subsidiaries of Perodua, i.e., Perodua Manufacturing Sdn. Bhd. ("PMSB") and Perodua Engine Manufacturing Sdn. Bhd. ("PEMSB") to enable the Perodua Group to acquire the ability to compete in the post-AFTA era with assistance from DMC, through DMC's management control in PMSB and PEMS, in improving production efficiencies, reducing cost and enhancing quality and to increase Perodua's competitiveness in the industry.

PNB EQUITY is a wholly-owned subsidiary of Permodalan Nasional Berhad ("PNB") and the PNB Group is the largest shareholder of UMW Holdings Berhad, the parent company of UMWC, and therefore a related party.

- (c) Joint Venture Agreement dated 16 August 1991 between PNB Equity Resource Corporation Sdn. Bhd. ("PNB EQUITY"), Sung Jin Machinery Co. Ltd. and UMW Corporation Sdn. Bhd. ("UMWC") in respect of the manufacture and sales of automotive flexible tubes, industrial expansion joints, catalytic converters, motor vehicle components and related products. PNB EQUITY is a wholly-owned subsidiary of Permodalan Nasional Berhad ("PNB") and the PNB Group is the largest shareholder of UMW Holdings Berhad, the parent company of UMWC, and therefore a related party.
- (d) The Agreement dated 3 March 2004 between UMW Corporation Sdn. Bhd., a wholly-owned subsidiary of UMW Holdings Berhad ("UMWH"), and Kontena Nasional Global Logistics Sdn. Bhd. ("KNGL") for the provision of logistics and/or freight management-related support services, by KNGL to the UMW Group.

Amanah Raya Nominees (Tempatan) Sdn. Bhd. ("ARN"), a major shareholder of UMWH, is also a major shareholder of NCB Holdings Bhd. ("NCB"), the

ultimate parent company of KNGL. As such, ARN is deemed to be a related party.

- (e) Vehicle Assembly Agreement dated 9 June 2004 between UMW Toyota Motor Sdn. Bhd. ("UMWT"), a 51%-owned subsidiary of UMW Corporation Sdn. Bhd. ("UMWC"), which is in turn 100% owned by UMW Holdings Berhad ("UMWH"), and Perodua Manufacturing Sdn. Bhd. ("PMSB"), a 38%-owned associate company of UMWC, in respect of the appointment of PMSB as assembler/producer of specific vehicles for UMWT.

Toyota Motor Corporation of Japan ("TMC"), a 39% shareholder of UMWT, has indirect interest in PMSB via Daihatsu Motor Co., Ltd., its 51.56%-owned subsidiary, which owns 20% and 41% equity interest in Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") and Perodua Auto Corporation Sdn. Bhd. ("PCSB"), respectively. Perodua and PCSB in turn, hold 49% and 51% equity interest in PMSB, respectively. As such, TMC is deemed to be a related party.

- (f) Joint Venture Agreement dated 5 July 2004 between UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of UMW Holdings Berhad ("UMWH"), Toyota Tsusho Corporation, Japan ("TTC") and Toyota Tsusho (Malaysia) Sdn. Bhd. ("TTM") for the setting up of a joint venture operation under UMW Toyotsu Motors Sdn. Bhd. ("UMW Toyotsu"), in which UMW Toyotsu will be an authorised non-exclusive dealer of UMW Toyota Motor Sdn. Bhd. ("UMWT"), a 51%-owned subsidiary of UMWC.

Toyota Motor Corporation, Japan ("TMC"), a 39% shareholder of UMWT, owns 23.84% equity interest in TTC. TTC, a 10% shareholder of UMWT is also a 51% shareholder of TTM. TMC and TTC are deemed to be related parties by virtue of their direct interest in UMWT.

Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting of the Company held on 26 June 2008, the Company had obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D.)

In accordance with Paragraph 10.09(1)(b), Chapter 10 of the Bursa Securities Listing Requirements, details of recurrent related party transactions conducted during the financial year ended 31 December 2008 pursuant to the Shareholders' Mandate are as follows -

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Toyota Motor Corporation, Japan ("TMC")	<p>Toyota Tsusho (Malaysia) Sdn. Bhd. ("TTM") has 27.27% equity interest in Denso (Malaysia) Sdn Bhd ("Denso").</p> <p>Denso International Asia Pte. Ltd., Singapore ("DIA") has 72.73% equity interest in Denso. DIA is a wholly-owned subsidiary of Denso Corporation, Japan, a company in which TMC has 22.54% equity interest.</p> <p>TMC has direct and indirect interests in UMWToyota Motor Sdn.Bhd. ("UMWT") and its subsidiaries by virtue of its direct 39% shareholding in UMWT, a 51%-owned subsidiary of UMW Corporation Sdn. Bhd. ("UMWC"), which is in turn a wholly-owned subsidiary of UMW Holdings Berhad.</p> <p>TMC has 22.54% equity interest in JTEKT Corporation, which in turn has 90% equity interest in JTEKT Automotive (Malaysia) Sdn.Bhd. ("JAMSB").</p> <p>UMWT has 10% equity interest in JAMSB.</p>	<ul style="list-style-type: none"> <li data-bbox="890 577 1233 678">● Sale of vehicle spare parts by Denso to UMWT, a subsidiary of UMWC <li data-bbox="890 1272 1233 1373">● Sale of vehicle spare parts by JAMSB to UMWT, a subsidiary of UMWC 	<p>390,505</p> <p>127,175</p>
Toyota Motor Corporation, Japan ("TMC")	<p>TMC has indirect interest in Perodua Manufacturing Sdn. Bhd. ("PMSB"), a 28%-owned associated company of UMWC, vide its 51.19%-owned subsidiary, Daihatsu Motor Co., Ltd., Japan ("DMC"). DMC has 20% and 41% equity interests in Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") and Perodua Auto Corporation Sdn. Bhd. ("PCSB"), a 19%-owned associated company of UMWC, respectively. Perodua and PCSB in turn, have 49% and 51% equity interests in PMSB, respectively.</p>	<ul style="list-style-type: none"> <li data-bbox="890 1514 1233 1682">● Sale of vehicle completely knock-down units and components by UMWT, a subsidiary of UMWC to PMSB <li data-bbox="890 1715 1233 1816">● Sale of vehicles by PMSB to UMWT, a subsidiary of UMWC 	<p>441,498</p> <p>788,965</p>

ADDITIONAL COMPLIANCE INFORMATION (CONT'D.)

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Toyota Tsusho Corporation, Japan ("TTC")	<p>TMC has an indirect interest in UMWT through its associated company, TTC, by virtue of TTC's 10% direct shareholding in UMWT.</p> <p>TMC has 21.57% equity interest in TTC.</p> <p>TTC is a major shareholder of TTM as TTC has 51% equity interest therein.</p> <p>TTC and TTM have 51% and 19% equity interests in UMW Toyotsu Motors Sdn. Bhd. ("UMW Toyotsu"), a 30%-owned associated company of UMWC, respectively.</p>	<ul style="list-style-type: none"> Sale of vehicles and workshop service by UMWT, a subsidiary of UMWC, to UMW Toyotsu 	150,087

Notwithstanding the related party disclosures already presented in the audited financial statements in accordance with Financial Reporting Standard No. 124 ("FRS 124"), the above disclosures are made in order to comply with Paragraph 10.09 of the Bursa Securities Listing Requirements with regard to the value of recurrent related party transactions of a revenue or trading nature conducted in accordance with the shareholders' mandate during the financial year, as the scope of related party relationships and disclosures contemplated by the Bursa Securities Listing Requirements are, to a certain extent, different from those of FRS 124.

The shareholdings of the respective interested Major Shareholders as shown above are based on information disclosed in the Circular to Shareholders dated 3 June 2008 in relation to the Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature.

TOP TEN (10) PROPERTIES HELD BY THE UMW GROUP

Location	Description	Existing Use	Tenure	Approximate Area of Land/ Built-up (Sq. Metres)	Approximate Age of Building (Years)	Revaluation Date	Acquisition Date	Net Book Value as at 31.12.2008 (RM)
1. Ulu Selangor PT. 4445, Mukim Serendah, Ulu Selangor.	Industrial Land	Vacant	Leasehold 99 years expiring 16.04.2094	Land - 3,441,903.8 Built-up - Nil	-	-	17.04.1995	75,947,284
2. Shah Alam No. 2, Persiaran Raja Muda, Section 15, Shah Alam.	Commercial Land	UMW Toyota Motor Head Office	Leasehold 99 years expiring 22.07.2067	Land - 24,283.2 Built-up - 19,840.5	4	-	06.08.1985	46,679,358
3. Subang Part of Lot 61716 H.S.(D) 58036, Bandar Subang Jaya, Daerah Petaling, Selangor.	Commercial Land	Showroom, Parts and Service Centre	Freehold	Land - 10,967.1 Built-up - 10,219.3	1	-	28.03.2006	38,077,966
4. Penang Lot 106-109 & 482, Section 9 W, Bandar Georgetown, North-East District, Pulau Pinang.	Industrial Land	Showroom, Parts and Service Centre	Freehold	Land - 12,137.8 Built-up - 2,653.8	1	-	29.12.2003	37,280,732
5. Petaling Jaya Lot 1, Jalan 19/1, Section 19, Petaling Jaya.	Industrial Land	Showroom, Body & Paint Parts and Service Centre	Leasehold 99 years expiring 28.06.2061	Land - 17,094.0 Built-up - 11,632.1	3	-	15.06.1991	28,520,329
6. Shah Alam No. 19, Jalan Subang Utama 2, (Jalan Puchong), Lion Industrial Park, Section 22, Shah Alam.	Industrial Land	Production Logistic Distribution Centre	Freehold	Land - 46,947.5 Built-up - 949.2	6	-	14.05.1997	27,604,645
7. Batu Pahat Geran 49065, Bandar Penggaram, Daerah Batu Pahat, Johor.	Industrial Land	Showroom, Body & Paint Parts and Service Centre	Freehold	Land - 10,496.5 Built-up - 2,620.0	1	-	28.09.2005	26,670,053
8. Mutiara Damansara Lot 44580, Mukim Sungai Buloh, Daerah Petaling, Selangor.	Commercial Land	Showroom, Parts and Service Centre	Freehold	Land - 4,228.5 Built-up - 11,375.5	3	-	13.08.2004	26,192,017
9. Kuala Lumpur Lot 4523, Batu 5, Jalan Cheras, Kuala Lumpur.	Commercial Land	Showroom, Parts and Service Centre	Freehold	Land - 10,337.0 Built-up - 12,197.4	3	-	08.10.2003	25,727,890
10. Johor Bahru No. 9, Jalan Gagah, Kawasan Perindustrian Larkin, Johor Bahru.	Industrial Land	Body & Paint, Parts and Service Centre and Proposed Used Car Wholesale Centre	Leasehold 60 years expiring 31.03.2028	Land - 14,212.8 Built-up - 5,577.4	16	-	06.02.2004	21,538,059

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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group and of the Company are referred to in Note 1 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in Note 1 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	955,813	35,097
Attributable to:		
Equity holders of the Company	565,838	35,097
Minority interests	389,975	-
	955,813	35,097

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity of the Group and of the Company.

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

DIVIDENDS

The amounts of dividends paid or declared by the Company since 31 December 2007 were as follows:

	RM'000
In respect of the financial year ended 31 December 2007:	
Second interim dividend of 12% less 26% taxation paid on 17 March 2008	47,811
Final dividend of 28% less 26% taxation paid on 5 August 2008	112,082
In respect of the financial year ended 31 December 2008:	
1st interim dividend of 30% less 26% taxation paid on 7 October 2008	120,813
2nd interim dividend of 20% less 25% taxation paid on 20 February 2009	82,063

DIRECTORS' REPORT (CONT'D.)

DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting of the Company, a final dividend in respect of the current financial year comprising 6.5% or 3.25 sen per share of RM0.50 each less 25% income tax and a single-tier dividend of 8.75 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM123.0 million (2007 - 14 sen per share of RM0.50 each less 26% income tax, amounting to RM112.1 million net dividend) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. The proposed dividend, if approved by shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2009.

EMPLOYEE SHARE OPTION SCHEME

The UMW Holdings Berhad Employee Share Option Scheme ("ESOS") was approved by shareholders at an Extraordinary General Meeting of the Company held on 3 April 2006 and became effective on 18 April 2006.

The main features of the ESOS are as follows:

- (a) Eligible persons are employees of the Group who have been confirmed in the employment of the Group including full-time salaried executive directors. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (b) The total number of shares to be offered shall not exceed in aggregate 15% of the issued and paid-up ordinary share capital of the Company at the point of offer during the duration of the ESOS, which shall be in force for a period of five years from 18 April 2006 and expiring on 17 April 2011.
- (c) The option price for each share shall be determined by the ESOS Committee at its discretion based on the five (5)-day weighted average market price ("5D-WAMP") of the underlying shares of the Company immediately prior to the date of offer provided that the price so determined shall not be at a discount of more than 10% of the 5D-WAMP and shall not be less than the par value of the shares of the Company.
- (d) Not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the Group and not more than 10% of the shares available under the ESOS shall be allocated to any individual eligible employee, who, either singly or collectively through persons connected with him/her holds 20% or more of the issued and paid-up share capital of the Company.
- (e) Options granted under the ESOS shall be capable of being exercised by the grantee in stages upon satisfaction of stipulated service conditions ranging from immediately exercisable on grant date to 2 years of service from grant dates whilst he/she is in the employment of the Group, by notice in writing to the Company of his/her intention to exercise an option during the option period.
- (f) The number of shares under option or the option price or both so far as the options remain unexercised, may be adjusted following any alteration in the capital structure of the Company during the option period by way of rights issues, bonus issues, capital reduction, sub-division or consolidation of capital of the Company.
- (g) The new shares to be issued and allotted upon the exercise of any option shall upon issuance, allotment and full payment, rank *pari passu* in all respects with the existing shares of the Company at the time of allotment and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

DIRECTORS' REPORT (CONT'D.)

EMPLOYEE SHARE OPTION SCHEME (CONT'D.)

- (h) Pursuant to Article 13 of the UMW ESOS By-Laws, the exercise prices were revised and the number of outstanding share options were adjusted as a result of the UMW Share Split which involved the sub-division of every one (1) existing UMW Share of RM1.00 each into two (2) new ordinary shares of RM0.50 each implemented on 4 March 2008.

The effect of share split on exercise prices and number of outstanding share option are as shown below:

Option Price RM	Revised Option Price RM	Number of Outstanding Option Shares of RM0.50 Each As At 3 March 2008		
		Option Quantity	Quantity Increased	Adjusted Option Quantity
6.67	3.335	5,465,800	5,465,800	10,931,600
6.66	3.330	8,833,000	8,833,000	17,666,000
6.65	3.325	538,100	538,100	1,076,200
		<u>14,836,900</u>	<u>14,836,900</u>	<u>29,673,800</u>

The movements in the options to take up unissued new ordinary shares of RM0.50 each and the option prices were as follows:

Options Granted in 2006

Option Price RM	Grant Date	<----- Number of Options Over Ordinary Shares of RM0.50 Each ----->				31 December 2008
		1 January 2008	Exercised	Lapsed	Forfeited	
3.335	07/06/06	11,308,000	6,712,600	64,600	30,200	4,500,600
3.330	10/08/06	18,734,200	9,473,500	15,000	142,400	9,103,300
3.325	18/09/06	1,215,600	652,200	-	-	563,400
		<u>31,257,800</u>	<u>16,838,300</u>	<u>79,600</u>	<u>172,600</u>	<u>14,167,300</u>

Options Granted in 2008

Option Price RM	Grant Date	<----- Number of Options Over Ordinary Shares of RM0.50 Each ----->				31 December 2008
		Offered	Accepted	Exercised	Forfeited	
5.160	21/10/08	24,187,800	23,996,400	-	74,000	23,922,400
4.930	01/12/08	39,489,000	39,390,000	-	6,000	39,384,000
		<u>63,676,800</u>	<u>63,386,400</u>	<u>-</u>	<u>80,000</u>	<u>63,306,400</u>

As at 31 December 2008, 16,722,300 ordinary shares of RM0.50 each were allotted during the year.

DIRECTORS' REPORT (CONT'D.)

EMPLOYEE SHARE OPTION SCHEME (CONT'D.)

At the date of this report, the number of options exercised and allotted subsequent to the end of the financial year were as stated below:

Option price (RM)	Number of options over ordinary shares of RM0.50 each
3.335	1,326,300
3.330	2,818,000
3.325	43,200
5.160	44,400
4.930	508,100

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options in 2008 to subscribe for less than 180,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 180,000 or more ordinary shares of RM0.50 each during the financial year are as follows:

Name	Grant Date	Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.50 Each		
				Granted	Exercised	31.12.2008
Dato' Abdul Halim bin Harun	21/10/08	17/04/11	5.16	364,000	-	364,000
Chew Chee Loon	21/10/08	17/04/11	5.16	187,200	-	187,200
Kuah Kock Heng	01/12/08	17/04/11	4.93	355,200	-	355,200
Suseela Menon A/P T.A.S. Menon	21/10/08	17/04/11	5.16	187,200	-	187,200
Aminar Rashid bin Salleh	01/12/08	17/04/11	4.93	251,800	-	251,800
Meor Mohar Azhar bin Abd Ghani	21/10/08	17/04/11	5.16	267,000	-	267,000
Zulkifly bin Zakaria	21/10/08	17/04/11	5.16	267,000	-	267,000
Chan Seng Yoke	21/10/08	17/04/11	5.16	207,200	-	207,200
Lee Chin Min	21/10/08	17/04/11	5.16	196,600	-	196,600
Ismet bin Suki	01/12/08	17/04/11	4.93	196,600	-	196,600
Ravindran A/L Kurusamy	01/12/08	17/04/11	4.93	185,800	-	185,800
Anuar bin Abd Ani	01/12/08	17/04/11	4.93	185,800	-	185,800
Mohanachandran A/L K P Madhavan Nair	21/10/08	17/04/11	5.16	185,800	-	185,800
Tan Beng Hoe	21/10/08	17/04/11	5.16	185,800	-	185,800

SHARE CAPITAL

On 4 March 2008, the Company implemented a share split involving the sub-division of every one (1) existing UMW Share of RM1.00 each into two (2) new ordinary shares of RM0.50 each held in the Company ("share split") and amended the Memorandum of Association of the Company to facilitate the implementation of the share split. The share split has no effect on the issued and paid-up capital of the Company. However, the number of ordinary shares in issue as at 3 March 2008 doubled as a result of the share split.

DIRECTORS' REPORT (CONT'D.)

SHARE CAPITAL (CONT'D.)

During the financial year, the Company increased its issued and paid-up share capital from RM537,710,566 to RM546,071,716 by way of the issuance of 853,700 ordinary shares of RM1.00 each and 15,014,900 ordinary shares of RM0.50 each through the exercise and allotment of:

Before share split :

- (a) 201,400 option shares of RM1.00 each at RM6.67 per share pursuant to the ESOS;
- (b) 584,800 option shares of RM1.00 each at RM6.66 per share pursuant to the ESOS;
- (c) 67,500 option shares of RM1.00 each at RM6.65 per share pursuant to the ESOS;

After share split :

- (d) 6,282,600 option shares of RM0.50 each at RM3.335 per share pursuant to the ESOS;
- (e) 8,215,100 option shares of RM0.50 each at RM3.330 per share pursuant to the ESOS; and
- (f) 517,200 option shares of RM0.50 each at RM3.325 per share pursuant to the ESOS.

At the date of this report, the issued and paid-up capital of the Company was increased from RM546,071,716 to RM548,441,716 (comprising 1,096,883,432 ordinary shares of RM0.50 each) as a result of the following exercise and allotment of option shares subsequent to the end of the financial year:

- (a) 1,326,300 option shares of RM0.50 each at RM3.335 per share;
- (b) 2,818,000 option shares of RM0.50 each at RM3.330 per share;
- (c) 43,200 option shares of RM0.50 each at RM3.325 per share;
- (d) 44,400 option shares of RM0.50 each at RM5.160 per share;
- (e) 508,100 option shares of RM0.50 each at RM4.930 per share.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Datuk Asmat bin Kamaludin

Dato' Abdul Halim bin Harun

Tan Sri Datuk Mohamed Khatib bin Abdul Hamid

Tan Sri Dato' Mohamed Noordin bin Hassan

Dato' Ir. Lee Yee Cheong

Dato' Haji Darwis bin Mohd. Daid

Dr. Leong Chik Weng

Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani (*Appointed on 13 August 2008*)

Mohd. Nizam bin Zainordin (*Appointed on 13 August 2008*)

Dato' Thomas Mun Lung Lee (*Retired on 26 June 2008*)

Md. Yusof bin Husin (*Retired on 26 June 2008*)

DIRECTORS' REPORT (CONT'D.)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted pursuant to the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations and did not have any options to subscribe for shares in the Company under the ESOS except for the following:

The Company	<----- Number of Ordinary Shares of RM0.50 Each ----->				
	1 January 2008	Exercise of Options	Bought	Sold	31 December 2008
Direct Interest					
Dato' Abdul Halim bin Harun	400,066	100,000	-	-	500,066
Indirect Interest					
Tan Sri Datuk Asmat bin Kamaludin	18,000	-	-	-	18,000

The Company	Option Price	<----- Number of Options Over Ordinary Shares of RM0.50 Each ----->			
		1 January 2008	Granted	Exercised	31 December 2008
Direct Interest					
Dato' Abdul Halim bin Harun	RM3.335	254,600	-	100,000	154,600
	RM5.160	-	364,000	-	364,000

The options to subscribe for 294,000 ordinary shares of RM1.00 each in the Company were granted to Dato' Abdul Halim bin Harun on 7 June 2006 at an option price of RM6.67 per share pursuant to the ESOS. As a result of the share split implemented in March 2008, the exercise price was revised from RM6.67 per share of RM1.00 each to RM3.335 per share of RM0.50 each and the outstanding share options granted but not exercised as at 3 March 2008, were doubled.

On 21 October 2008, additional option to subscribe for 364,000 shares of RM0.50 each in the Company at an option price of RM5.160 per share, was granted to Dato' Abdul Halim bin Harun pursuant to the ESOS.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances 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.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) 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 the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D.)

SIGNIFICANT EVENTS

The significant events during the year are as disclosed in Note 35 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 36 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2009.



TAN SRI DATUK ASMAT BIN KAMALUDIN



DATO' ABDUL HALIM BIN HARUN

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI DATUK ASMAT BIN KAMALUDIN** and **DATO' ABDUL HALIM BIN HARUN**, being two of the directors of **UMW HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 89 to 190 are drawn up in accordance with applicable 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 at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2009.



TAN SRI DATUK ASMAT BIN KAMALUDIN



DATO' ABDUL HALIM BIN HARUN

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **MEOR MOHAR AZHAR BIN ABD GHANI**, being the officer primarily responsible for the financial management of **UMW HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 89 to 190 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.

Subscribed and solemnly declared by the)
abovenamed **MEOR MOHAR AZHAR BIN**)
ABD GHANI at Shah Alam in Selangor)
Darul Ehsan on 22 April 2009.)



MEOR MOHAR AZHAR BIN ABD GHANI

Before me,



No. 7-1F
Jln. Boling Padang G 13/G,
Seksyen 13, 40000 Shah Alam,
Selangor.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of UMW Holdings Berhad, which comprise the balance sheets of the Group and of the Company as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 89 to 190.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT (CONT'D.)

TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

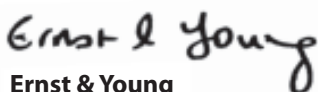
Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 32 to the financial statements.
- (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 purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants



Habibah bte Abdul
No. 1210/05/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 April 2009

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 RM'000	2007 RM'000
ASSETS			
Non-current assets			
Investments in associates	4	1,468,121	1,164,154
Investment properties	5	14,384	14,178
Property, plant and equipment	6	1,792,362	1,278,355
Prepaid land lease payments	7	221,660	213,107
Leased assets	8	157,899	137,099
Deferred tax assets	18	21,331	22,139
Intangible assets	9	132,906	58,923
Other financial assets	4	86,293	76,171
		3,894,956	2,964,126
Current assets			
Deposits, cash and bank balances	10	1,537,802	1,573,587
Receivables	11	937,918	854,127
Inventories	12	1,453,830	1,088,941
		3,929,550	3,516,655
Non-current assets held for sale	13	3,535	10,364
		3,933,085	3,527,019
TOTAL ASSETS		7,828,041	6,491,145
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	546,072	537,711
Share premium		414,651	357,328
Capital reserve	15	5,793	5,793
Share options reserve	14	61,169	17,072
Foreign exchange reserve		50,442	25,318
Retained profits		2,444,126	2,186,863
		3,522,253	3,130,085
Minority interests		1,083,167	878,459
Total equity		4,605,420	4,008,544

CONSOLIDATED BALANCE SHEET (CONT'D.)

AS AT 31 DECEMBER 2008

	Note	2008 RM'000	2007 RM'000
Non-current liabilities			
Long term liabilities	16	719,517	354,163
Provision for liabilities	17	43,995	42,857
Deferred tax liabilities	18	16,027	13,435
		779,539	410,455
Current liabilities			
Short term borrowings	19	527,954	382,036
Payables	20	1,650,514	1,488,031
Taxation		115,931	104,359
Dividend payable	29	82,063	47,811
Provision for liabilities	17	66,620	49,909
		2,443,082	2,072,146
Total liabilities		3,222,621	2,482,601
TOTAL EQUITY AND LIABILITIES		7,828,041	6,491,145

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RM'000	2007 RM'000
Revenue	22	12,769,581	9,976,151
Other operating income	23	128,748	93,894
Changes in inventories		264,460	61,265
Finished goods purchased		(9,762,493)	(7,378,662)
Raw materials and consumables used		(422,449)	(555,822)
Employee benefits	24	(711,336)	(562,374)
Depreciation and amortisation of assets		(194,503)	(184,726)
Other operating expenses	25	(998,357)	(819,458)
Profit from operations		1,073,651	630,268
Finance costs	26	(48,139)	(35,305)
Investment income	23	51,351	53,807
Share of profits of associated companies		199,822	207,506
Profit before taxation		1,276,685	856,276
Income tax expense	27	(320,872)	(176,966)
Profit for the year		955,813	679,310
Attributable to:			
Equity holders of the Company		565,838	469,147
Minority interests		389,975	210,163
		955,813	679,310
Earnings per share attributable to equity holders of the Company (Sen):			
Basic - after share split	28	52.3	44.6
Diluted - after share split	28	51.4	44.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Non-Distributable			Distributable			
	Share Capital	Share Premium	Foreign Exchange Reserve	Share Options Reserve	Capital Reserve	Retained Profits	Minority Interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	510,190	163,527	23,861	33,683	5,793	1,823,008	826,796
Foreign currency translation:							
Group	-	-	1,457	-	-	-	2,140
Net asset accretion arising from the share issue of an associated company	-	-	-	-	-	110,706	-
Net income recognised directly in equity	-	-	1,457	-	-	110,706	2,140
Profit for the year	-	-	-	-	-	469,147	210,163
Total recognised income and expense for the year	-	-	1,457	-	-	579,853	212,303
Dividends (Note 29)	-	-	-	-	-	(215,998)	(197,235)
New/acquisition of subsidiaries	-	-	-	-	-	-	34,235
Dilution of equity interest in subsidiaries	-	-	-	-	-	-	2,360
Issue of ordinary shares:							
Pursuant to ESOS	27,521	155,845	-	-	-	-	-
Share based payment (under ESOS)	-	-	-	21,345	-	-	-
Effect of exercise of ESOS	-	37,956	-	(37,956)	-	-	-
At 31 December 2007	537,711	357,328	25,318	17,072	5,793	2,186,863	878,459
						3,130,085	4,008,544
							3,386,858
							3,597
							110,706
							114,303
							679,310
							793,613
							(413,233)
							34,235
							2,360
							183,366
							21,345
							-
							4,008,544

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital		Share Premium		Foreign Exchange Reserve		Share Options Reserve		Capital Reserve		Retained Profits		Minority Interests		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008	537,711	357,328	25,318	17,072	5,793	2,186,863	3,130,085	878,459	4,008,544						
Foreign currency translation: Group	-	-	25,124	-	-	-	25,124	-	-	-	-	-	(5,900)	19,224	
Net asset accretion arising from the share issue of an associated company	-	-	-	-	-	6,383	6,383	-	-	-	-	-	-	6,383	
Net income recognised directly in equity	-	-	25,124	-	-	6,383	31,507	-	-	-	6,383	(5,900)	25,607		
Profit for the year	-	-	-	-	-	565,838	565,838	-	-	-	565,838	389,975	955,813		
Total recognised income and expense for the year	-	-	25,124	-	-	572,221	597,345	-	-	-	572,221	384,075	981,420		
Dividends (Note 29)	-	-	-	-	-	(314,958)	(314,958)	-	-	-	(314,958)	(198,312)	(513,270)		
New/acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	10,321	10,321		
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	13,738	13,738		
Dilution of equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	177	177		
Reduction of minority interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(5,291)	(5,291)		
Issue of ordinary shares: Pursuant to ESOS	8,361	47,354	-	-	-	-	-	-	-	-	-	-	55,715		
Share based payment (under ESOS)	-	-	-	54,066	-	-	54,066	-	-	-	-	-	54,066		
Effect of exercise of ESOS	-	9,969	-	(9,969)	-	-	(9,969)	-	-	-	-	-	-		
At 31 December 2008	546,072	414,651	50,442	61,169	5,793	2,444,126	3,522,253	1,083,167	4,605,420						

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,276,685	856,276
Adjustments for:		
Amortisation of prepaid land lease payments	4,449	4,277
Amortisation of product development expenditure	426	1,449
Depreciation	190,054	180,449
Impairment losses of:		
- leased assets	1,296	1,162
- property, plant and equipment	2,951	2,010
Dividend income	(60)	(175)
Gain on disposal of investment	(358)	(378)
Interest expense	48,139	35,305
Interest income	(51,291)	(53,632)
Net gain on disposal of property, plant and equipment, prepaid land lease payments and leased assets	(20,151)	(11,985)
Net inventories written off/(written back)	3,425	(8,638)
Property, plant and equipment written off	350	915
Provision for diminution in value of investment	36,621	-
Provision for doubtful debts	2,761	4,783
Provision for liabilities, net of reversals	29,434	26,408
Provision of unutilised leave	2,282	3,721
Share of profits retained in associated companies	(199,822)	(207,506)
Share options granted under ESOS	54,066	21,345
Unrealised foreign exchange loss/(gain)	21,136	(1,071)
Operating profit before working capital changes	1,402,393	854,715
(Increase)/decrease in receivables	(72,824)	11,434
Increase in inventories	(359,063)	(119,518)
Decrease in provision for liabilities	(15,623)	(16,079)
(Decrease)/increase in payables	(4,353)	379,265
Cash generated from operating activities	950,530	1,109,817
Interest paid	(48,139)	(35,305)
Taxes paid	(305,102)	(147,516)
Net cash generated from operating activities	597,289	926,996

CONSOLIDATED CASH FLOW STATEMENT (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow in acquisition of subsidiaries (Note 4a)	(58,568)	(3,813)
Net cash outflow in acquisition of jointly controlled entities (Note 4b)	(54,812)	(109,756)
Net cash paid for investment in associated companies	(126,926)	(94,862)
Purchase of additional equity interest in a subsidiary	(7,978)	-
Investment in a subsidiary	-	(7,375)
Profit guarantee received	1,933	1,522
Research and development expenditure	(138)	(1,948)
Purchase of property, plant and equipment, prepaid land lease payments and leased assets	(629,510)	(500,309)
Proceeds from disposal of property, plant and equipment, prepaid land lease payments and leased assets	91,337	48,431
Proceeds from disposal of investments	18,002	2,992
Purchase of cash plan/unit trusts and other investments	(64,060)	(50,989)
Interest received	51,291	53,632
Dividends received	51,330	67,657
Net cash used in investing activities	(728,099)	(594,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of long term borrowings	401,269	296,353
Repayment of long term borrowings	(64,025)	(282,744)
Net movement in short term borrowings	138,458	227,744
Drawdown of finance lease payables	733	1,907
Proceeds from issuance of shares		
- by holding company to shareholders	55,715	183,366
- by subsidiary companies to outside shareholders	36,060	30,720
Dividends paid	(280,706)	(168,187)
Dividends paid to minority interests	(198,312)	(197,235)
Net cash generated from financing activities	89,192	91,924
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(41,618)	424,102
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	1,567,223	1,141,666
EFFECTS OF EXCHANGE RATE CHANGES	(5,906)	1,455
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,519,699	1,567,223
Cash and cash equivalents comprise:		
Cash and bank balances (Note 10)	328,826	384,835
Deposits (Note 10)	1,208,976	1,188,752
Bank overdrafts (Note 19)	(18,103)	(6,364)
	1,519,699	1,567,223

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

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 RM'000	2007 RM'000
ASSETS			
Non-current asset			
Investments	4	638,345	456,505
Current assets			
Deposits, cash and bank balances	10	6,260	5,511
Receivables	11	39	40
Tax recoverable		572	650
Due from wholly-owned subsidiaries	11	489,347	807,138
		496,218	813,339
TOTAL ASSETS		1,134,563	1,269,844
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	546,072	537,711
Share premium		414,651	357,328
Share options reserve	14	61,169	17,072
Retained profit		28,462	308,323
		1,050,354	1,220,434
Current liabilities			
Payables	20	2,146	1,599
Dividend payable	29	82,063	47,811
Total liabilities		84,209	49,410
TOTAL EQUITY AND LIABILITIES		1,134,563	1,269,844

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RM'000	2007 RM'000
Revenue	22	35,775	675,975
Other operating expenses	25	(2,365)	(2,965)
Profit from operations		33,410	673,010
Investment income	23	266	212
Profit before taxation		33,676	673,222
Income tax expense	27	1,421	(167,312)
Profit for the year		35,097	505,910

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital RM'000	<-Non-Distributable-> Share Premium RM'000	Share Options Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000
At 1 January 2007	510,190	163,527	33,683	18,411	725,811
Profit for the year, representing total recognised income and expense for the year	-	-	-	505,910	505,910
Dividends (Note 29)	-	-	-	(215,998)	(215,998)
Issue of ordinary shares:					
Pursuant to ESOS	27,521	155,845	-	-	183,366
Share based payment (under ESOS)	-	-	21,345	-	21,345
Effect of exercise of ESOS	-	37,956	(37,956)	-	-
At 31 December 2007	537,711	357,328	17,072	308,323	1,220,434
At 1 January 2008	537,711	357,328	17,072	308,323	1,220,434
Profit for the year, representing total recognised income and expense for the year	-	-	-	35,097	35,097
Dividends (Note 29)	-	-	-	(314,958)	(314,958)
Issue of ordinary shares:					
Pursuant to ESOS	8,361	47,354	-	-	55,715
Share based payment (under ESOS)	-	-	54,066	-	54,066
Effect of exercise of ESOS	-	9,969	(9,969)	-	-
At 31 December 2008	546,072	414,651	61,169	28,462	1,050,354

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,676	673,222
Adjustments for:		
Interest income	(265)	(212)
Dividend income	(35,775)	(675,975)
Operating loss before working capital changes	(2,364)	(2,965)
Decrease/(increase) in receivables	1	(2)
Decrease/(increase) in due from subsidiaries	317,791	(383,287)
Increase in payables	547	898
Cash generated from/(used in) operations	315,975	(385,356)
Taxes recovered	1,550	14,926
Net cash generated from/(used in) operating activities	317,525	(370,430)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	265	212
Dividends received	35,724	493,462
Purchase of investments	(127,774)	(138,301)
Net cash (used in)/generated from investing activities	(91,785)	355,373
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	55,715	183,366
Dividends paid	(280,706)	(168,187)
Net cash (used in)/generated from financing activities	(224,991)	15,179
NET INCREASE IN CASH AND CASH EQUIVALENTS	749	122
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	5,511	5,389
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	6,260	5,511
Cash and cash equivalents comprise:		
Cash and bank balances (Note 10)	1,291	566
Deposits (Note 10)	4,969	4,945
	6,260	5,511

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2008

1. CORPORATE INFORMATION

The Group is principally engaged in:

- (a) import, assembly and marketing of passenger and commercial vehicles and related spares and manufacturing of original/replacement automotive parts;
- (b) trading and manufacturing of a wide range of light and heavy equipment including related spares for use in the industrial, construction, agricultural sectors; and
- (c) manufacturing and trading of oil pipes and providing various oil and gas services including drilling and pipe-coating.

Ancillary to these activities, the Group provides support services in the form of after-sales service, travel and insurance. The other activities within the Group include:

- (i) marketing of a range of established agency lines in the automotive field;
- (ii) rebuilding and repair of heavy equipment and diesel engines along with fabrication and manufacturing of related components and customised attachments;
- (iii) manufacturing of engines, vehicle exhaust systems, kangaroo bars, filters and seats for various automotive and industrial applications;
- (iv) manufacturing and assembly of power steering pumps;
- (v) manufacturing, assembly and marketing of shock absorbers;
- (vi) agencies for some products used in the oil and gas industry; and
- (vii) blending, packaging, marketing and distribution of lubricants.

The Company is an investment holding company.

There have been no significant changes in the nature of these activities during the financial year.

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

The registered office of the Company is located at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2009.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operations and activities expose it to various forms of financial risks. An Enterprise Risk Management Committee, headed by the Chief Executive Officer, assesses risks and makes recommendations on risk management to the Board of Directors. Financial risk management objectives and policies identified by the Board of Directors are as follows:

- (a) to minimise the Group's exposure to foreign currency exchange and future cash flow risks;
- (b) to accept certain level of price risk and credit risk commensurate with the expected returns on the underlying operations and activities; and
- (c) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's risk management policies include using:

- (a) derivatives to hedge its exposure to currency, interest and cash flow risks. However, use of derivatives for speculation is specifically prohibited;
- (b) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably credit-worthy customers are accepted; and
- (c) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

The Group's policies in respect of the major areas of treasury activity are set out as follows:

(i) Credit Risk

Credit risk is managed through the application of the UMW Group's Credit Granting Guidelines. These guidelines outline the credit granting criteria and approval procedures as endorsed by the Board of Directors. A credit committee performs ongoing monitoring on compliance and ensures that these credit authorisation policies and procedures are consistent with business requirements.

The Group does not have any significant exposure to an individual customer nor does it have any major concentration of credit risk related to any financial institution.

(ii) Liquidity Risk

To ensure that the Group has a healthy liquidity position, the management ensures that it has the right mixture of liquid assets in its portfolio as well as proper control over the Group's overall asset position.

Also, the Group seeks to maintain a balance between flexible and structured financing options to finance its operations and investments.

(iii) Currency Risk

Material foreign currency exposure is hedged via forward foreign exchange contracts and cross currency swap by using foreign exchange facilities maintained with leading banks in Malaysia and overseas.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(iv) Interest Rate Risk

The Group is exposed to interest rate risk in respect of its bank deposits and debt instruments. Its policy is to have an optimal mixture of short and long term deposits and borrowings with floating and fixed interest rates. Material interest rate exposure is hedged via interest rate swap. This policy helps to minimise the impact of changes in interest rates.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. During the year, the Group and the Company had adopted new or revised FRSs and new Interpretations which are mandatory for financial periods beginning on or after 1 January 2008 as described fully in Note 3.3.

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for marketable securities and non-current assets and disposal groups held for sale, as explained in their respective accounting policy notes.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia and all values are rounded to the nearest thousand (RM'000) except when otherwise stated.

3.2 Summary of Significant Accounting Policies

(a) Subsidiaries, Basis of Consolidation, Associates and Jointly Controlled Entities

(i) Subsidiaries

Subsidiaries are companies over which the Group has the power to exercise control over the financial and operating policies of an entity so as to obtain benefits therefrom. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity. Details of the subsidiaries are disclosed in Note 32.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, all its subsidiaries and jointly controlled entities as at the balance sheet date except for the subsidiaries that are under liquidation as disclosed in Note 4. The financial statements of the subsidiaries and jointly controlled entities are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the effective date of acquisition, being a date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, being the effective date of disposal.

Intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries, Basis of Consolidation, Associates and Jointly Controlled Entities (Cont'd.)

(ii) *Basis of Consolidation (Cont'd.)*

Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. However, any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in consolidated income statement.

The gain or loss on disposal of a subsidiary is the difference between the disposal proceeds and the Group's share of its net assets together with any carrying value of goodwill and translation differences which were not previously recognised in the consolidated income statement.

Minority interests in consolidated income statement and consolidated balance sheet represent the portion of profit or loss or net assets in subsidiaries not held by the Group, respectively. Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(iii) *Associates*

Associated companies are those companies in which the Group has long term equity interest where it exercises significant influence over the financial and operating policies of those companies.

The Group's share of profits less losses of associates during the financial year is included in the consolidated income statement, using the equity method of accounting, based upon the audited or management financial statements of the associated companies as at 31 December 2008. Associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated up to the extent of the Group's interest in the associates unless cost cannot be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries, Basis of Consolidation, Associates and Jointly Controlled Entities (Cont'd.)

(iii) Associates (Cont'd.)

The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post acquisition reserves. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets and contingent liabilities of the associated companies as at the acquisition date and is included within the carrying amount of investment in associates. Goodwill is not amortised. Where an indication of impairment exists, the carrying value of goodwill is written down immediately to its recoverable value.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of associate's profit or loss in the consolidated income statement in the period in which the investment is acquired.

On disposal of investment in an associate, the difference between net disposal proceeds and their carrying amount is included in the consolidated income statement.

Details of associated companies are disclosed in Note 34.

(iv) Jointly Controlled Entities

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Investment in a jointly controlled entity is accounted for in the consolidated financial statements using proportionate consolidation whereby the consolidated balance sheet includes the Group's share of the assets that it controls jointly as well as its share of the liabilities for which it is jointly responsible. In addition, the consolidated income statement includes the Group's share of the income and expenses of the jointly controlled entity. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity are combined with similar items of the Group, line by line, in the consolidated financial statements.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are eliminated unless cost cannot be recovered.

Details of jointly controlled entities are disclosed in Note 33.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(b) Investments

(i) *Subsidiaries and Associates*

Investments in subsidiaries and associates are stated at cost less impairment losses. Where an indication of impairment exists, the carrying value of the investment is written down immediately to its recoverable value.

(ii) *Other Non-Current Investments*

Other non-current investments are stated at cost less impairment losses. Where an indication of impairment exists, the carrying value of the investment is written down immediately to its recoverable value.

(iii) *Marketable Securities*

Marketable securities are initially recognised at cost. Subsequent to initial recognition, marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(c) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are either included in the asset's carrying amount or recognised as a separate asset, provided costs can be measured reliably and it is probable that future economic benefits associated with these costs will flow to the Group. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land and assets-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Buildings)	Over period of 50 years or
)	period of the land lease
)	whichever is shorter
Plant and machinery		6% - 50%
Office equipment, furniture and fittings		10% - 50%
Motor vehicles		20% - 33%
Renovation and improvements		10% - 16%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(c) Property, Plant and Equipment (Cont'd.)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Land and buildings of the Group have not been revalued since they were first revalued in 1979, 1984 and 1985. The directors have not adopted a policy of regular revaluation of such assets. These assets are stated at their respective valuation less accumulated depreciation and accumulated impairment losses.

The revaluation surplus realised through depreciation of the revalued property, plant and equipment is taken directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.2(w).

(d) Prepaid Land Lease Payments

Prepaid lease payments on leasehold land are stated at cost less accumulated amortisation and impairment losses. The prepaid land lease payments is amortised over the term of the land lease on a straight-line basis.

Upon the disposal of an item of prepaid land lease, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

When an indication of impairment exists, the carrying amount of the prepaid land lease is written down immediately to its recoverable value.

(e) Leased Assets

Leased assets represent plant and equipment leased by the Group to third parties under operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Leased Assets (Cont'd.)

Depreciation of leased assets is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates of depreciation:

Plant and machinery	12.5% - 50.0%
Motor vehicles	20.0%
Other equipment and tools	12.5%

The accounting policies for leased assets are the same as that for property, plant and equipment in all respects.

(f) Investment Properties

Investment property is land or buildings held by the Group or held under a finance lease, to earn rental income or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other investment property is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

Buildings	Over a period of 50 years or period of the lease whichever is shorter
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Upon the disposal of an item of investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.2(w).

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash and bank balances and deposits at call with licensed banks, net of outstanding bank overdrafts.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. 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. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Inventories (Cont'd.)

Cost is determined principally by the following methods:

Equipment, unassembled and completed vehicles and attachments - specific identification

Finished goods, work-in-progress, raw materials, spares and consumables - weighted average

Cost of raw materials, spares and consumables represent cost of purchase.

For manufactured goods, completed vehicles, attachments and work-in-progress, cost includes cost of raw materials, direct labour and the appropriate production overheads.

(i) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of an entity, the carrying amount of goodwill is taken into account in determining the gains and losses.

(ii) Research and Development Expenditure

Research expenditure is recognised as an expense when incurred.

Costs incurred on development projects are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs, considered to have finite lives, are stated at cost less any impairment losses and are amortised from the commencement of the commercial production of the product to which they relate, on a systematic basis based on the volume sold, so as to reflect the pattern in which the related economic benefits are recognised over the period of their expected benefit, but not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Foreign Currencies

(i) *Functional and Presentation Currency*

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

Transactions in currencies other than the entity's functional currency ("foreign currencies") are initially converted into functional currency at rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. At each balance sheet date, foreign currency monetary items are translated into functional currency at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

(ii) *Foreign Currency Transactions*

Non-monetary Items

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

Monetary Items

- **Entity Accounts**

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period, of the individual entities in the Group.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

- **Group Accounts**

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward foreign exchange contracts and cross currency swap. The accounting policy for these contracts is further described in Note 3.2(p).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Foreign Currencies (Cont'd.)

(iii) Foreign Operations

Financial statements of foreign subsidiaries consolidated are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2007 are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation before 1 January 2007 are deemed to be assets and liabilities of the parent company and are recorded in RM at the exchange rate ruling at the date of the transaction.

The principal exchange rates at the balance sheet date used for the translation of foreign currencies are as follows:

	2008 RM	2007 RM
United States Dollar	3.4580	3.3075
Singapore Dollar	2.4030	2.3000
Sterling Pound	5.0335	6.6115
Euro	4.8550	4.8710
Australian Dollar	2.4080	2.9090
Solomon Islands Dollar	0.4515	0.4550
Chinese Renminbi	0.5073	0.4530
Swedish Krone	0.4420	0.5159
Papua New Guinea Kina	1.3070	1.1990
Vietnamese Dong (100 units)	0.0200	0.0207
Thai Baht (100 units)	9.9540	11.0615
Japanese Yen (100 units)	3.8225	2.9525
Indonesian Rupiah (100 units)	0.0318	0.0352
Indian Rupee (100 units)	7.1240	8.3955

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred 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 at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Income Tax (Cont'd.)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date 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 these can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition.

(l) 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) Revenue from sales of goods is recognised net of sales discounts when transfer of significant risks and rewards of ownership has been completed. Revenue includes excise duty but excludes sales tax and service tax.
- (ii) Revenue from services rendered is recognised net of service tax on accrual basis as and when services are performed.
- (iii) Rental income on operating lease transactions and rental income are recognised on accrual basis.
- (iv) Dividend income is recognised when the shareholders' rights to receive payment is established.
- (v) Interest income is recognised on an accrual basis.
- (vi) Revenue from construction contracts is accounted for by the stage of completion method as described in Note 3.2(v).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Leases

(i) *Where a Group Company is a Lessee*

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases. Finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments, at the inception of the lease. The corresponding lease obligations, net of finance charges are included in borrowings. The interest rate implicit in the lease is used as the discount factor in calculating the present value of the minimum lease payments. Initial direct costs incurred are included as part of the asset.

The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability for each period.

The depreciation policy for assets held under finance leases is consistent with that for depreciable property, plant and equipment as described in Note 3.2(c).

Lease rental payments on operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) *Where a Group Company is a Lessor*

The present value of lease payments receivable under a finance lease is recognised as lease receivables. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return on the balance outstanding.

Assets leased out under operating leases are included as leased assets in the balance sheet. They are depreciated over their expected useful lives as described in Note 3.2(e). Net rental income is recognised on a straight-line basis over the lease term.

(n) Employee Benefits

(i) *Short Term Benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) *Defined Contribution Plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(n) Employee Benefits (Cont'd.)

(ii) Defined Contribution Plans (Cont'd.)

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in the income statement as incurred.

(iii) Retirement Benefits

The Group contributes to retirement schemes for its employees in accordance with its obligations. The major schemes are the UMW Group Retirement Plan ("UGRP") and the Sejati Motor Retirement Plan ("SMRP"). Both of these schemes are defined benefit plans. These retirement schemes are funded by payments to trusts whose assets are separately administered from those of the Group. Current service costs, past service costs and experience adjustments in respect of these two plans are dealt with through the income statement of the Group.

The cost of retirement benefits is determined based on triennial actuarial valuation by independent actuaries using the Projected Unit Credit Valuation Method for both UGRP and SMRP. The last valuations were carried out as of 31 December 2007 for UGRP and 31 December 2005 for SMRP.

(iv) Share-based Compensation

The UMW Holdings Berhad Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting periods and takes into account the probability that the options will vest. The fair value of share option is measured at grant date and takes into account, if any, the market vesting conditions upon which the option were granted and excludes the impact of any non-market vesting conditions. Non-market vesting conditions are taken into account in making assumptions about the number of options that are expected to become exercisable on vesting dates.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting dates. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting periods. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(o) Provision for Warranties

Provision for warranties is recognised when the Group has a present obligation as a result of a past sale and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(p) Financial Instruments

The recognised financial instruments comprise cash and cash equivalents, trade and other receivables, investments in securities and unit trusts, bank borrowings, trade and other payables and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

Recognised financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. The particular recognition method adopted and the basis of measurement applied for financial instruments recognised in the balance sheet is disclosed in the individual accounting policies associated with each item.

The unrecognised financial instruments comprise financial guarantees given to third parties, cross currency swaps, interest rate swaps and forward foreign exchange contracts. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable. The derivatives are recognised only when the underlying transactions occur or when settled.

The Group uses forward foreign exchange contracts and cross currency swaps to hedge its exposure to foreign exchange risk arising from operational, financing and investment activities. The Group also uses interest rate swaps to hedge its exposure to interest rate risk. Under its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses on the forward foreign exchange contracts are offset against the corresponding loss or gains on the underlying hedged item.

The measurement bases, extent and nature of other financial instruments are disclosed in their separate notes.

(q) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(r) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(s) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(t) Share Capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Dividends proposed or declared after the balance sheet date were not recognised as a liability at the balance sheet date.

(u) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operation

Non-current assets (or disposal groups) 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 (or disposal group) 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 non-current assets (or all the assets and liabilities in a disposal group) are measured in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5, that is at the lower of carrying amount and fair value less costs to sell. Any difference are included in profit or loss. Non-current assets (or disposal groups) classified as held for sale, is not depreciated.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(v) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses, respectively, by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Construction Contracts (Cont'd.)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the sum of total costs incurred on construction contracts and recognised profits or recognised losses exceed progress billings, the balance is classified as amount due from customers on contracts. Conversely, when progress billings exceed the sum of total costs incurred on construction contracts and recognised profits or recognised losses, the balance is classified as amount due to customers on contracts.

(w) Impairment of Non-Financial Assets

The carrying amounts of assets, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised Interpretations and FRSs

On 1 January 2008, the Group and the Company adopted the following new or revised Interpretations and FRSs:

IC Int. 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities
IC Int. 2	Member's Shares in Co-operative Entities & Similar Instruments
IC Int. 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
IC Int. 6	Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment
IC Int. 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Int. 8	Scope of FRS 2
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121: The Effect of Changes in Foreign Exchange Rates
- Net Investment in a Foreign Operation

The adoption of the abovementioned Interpretations and FRSs does not result in significant changes in accounting policies and has no material financial impact on the Group's and Company's financial statements except for the adoption of Amendment to FRS 121: The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation as discussed below:

Prior to 1 January 2008, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation were recognised in equity in the consolidated financial statements only when that monetary item was denominated either in the functional currency of the reporting entity or the foreign operation. If the monetary item was denominated in a currency other than the functional currency of the reporting entity or the foreign operation, the exchange differences were recognised in income statement. Under the amendment to FRS 121, such exchange differences should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. The change did not materially affect the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.4 New or Revised FRSs and Interpretations Yet To Be Effective And Not Early Adopted

The Company has not early adopted the following new and revised FRSs and Interpretations:

- (a) Effective for financial periods beginning on or after 1 July 2009

FRS 8 Operating Segments

- (b) Effective for financial periods beginning on or after 1 January 2010

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 139 Financial Instruments: Recognition and Measurement

IC Int. 9 Reassessment of Embedded Derivatives

IC Int. 10 Interim Financial Reporting and Impairment

The New FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8. The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

3.5 Changes in Estimates

There were no changes in estimates that have a material effect on the result of the current year.

3.6 Significant Accounting Estimates

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill and brands are allocated. Estimating a value-in-use amount 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 amounts of goodwill as at 31 December 2008 was RM131,246,000 (2007: RM56,975,000). Further details are disclosed in Note 9.

(ii) **Deferred tax assets**

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management 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. The total carrying value of recognised tax losses and capital allowances of the Group was RM15,253,000 (2007: RM1,845,000) and the unrecognised tax losses and capital allowances of the Group was RM276,640,000 (2007: RM234,022,000).

4. INVESTMENTS

The investments of the Group and the Company are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Investment in subsidiaries				
Unquoted shares, at cost (Note a(i))	-	-	638,345	456,505
Investment in associates (Note c)	1,468,121	1,164,154	-	-
Other financial assets (Note d)	86,293	76,171	-	-
	1,554,414	1,240,325	638,345	456,505

(a) Investment in Subsidiaries

(i) Unquoted shares at cost

The Company's investment in subsidiaries represents its interest in:

- a wholly-owned Malaysian incorporated subsidiary, UMW Corporation Sdn. Bhd.. This subsidiary's principal role lies in providing full corporate, administrative, professional, security services and financial support to its subsidiaries and associated companies. In addition, the subsidiary also trades in a range of light and heavy equipment.
- a wholly-owned subsidiary, UMW Petropipe (L) Ltd., which was incorporated in the Federal Territory of Labuan. This subsidiary's principal activity is that of investment holding.
- a wholly-owned subsidiary, UMW Australia Ventures (L) Ltd., which was incorporated in the Federal Territory of Labuan. This subsidiary's principal activity is that of investment holding.
- a wholly-owned Malaysian incorporated subsidiary, UMW Malaysian Ventures Sdn. Bhd.. This subsidiary's principal activity is that of investment holding.
- a wholly-owned Malaysian incorporated subsidiary, UMW Oil & Gas Berhad. This subsidiary's principal activity is that of investment holding.

Details of the subsidiaries of the Company are disclosed in Note 32 to the financial statements.

(ii) Subsidiaries under members' voluntary liquidation

The following subsidiaries have been placed under members' voluntary liquidation and have accordingly been deconsolidated effective from the dates the subsidiaries were placed under liquidation:

	Date Placed Under Liquidation
(a) UMW Orient Sdn. Berhad	5 April 2002
(b) UMW Industries (Philippines) Inc.	17 April 2002

The process of liquidation is currently still on-going for all the above subsidiaries.

4. INVESTMENTS (CONT'D.)

(a) Investment in Subsidiaries (Cont'd.)

(iii) Acquisitions of subsidiaries

On 30 January 2008, UMW Petropipe (L) Ltd. ("UMW Petropipe"), together with Vina Offshore Holdings Pte. Ltd. ("VINA"), a 70%-owned subsidiary of UMW Petropipe, entered into a Sale and Purchase Agreement with Neo Teck Seng and Goh Mary for the acquisition of 175,000 ordinary shares by UMW Petropipe and 125,000 ordinary shares by VINA, representing 35% and 25%, respectively, of the issued and paid-up share capital of Offshore Construction Services Pte. Ltd. ("OCS"), a company incorporated under the laws of Singapore, for a total cash consideration of SGD5.6 million (equivalent to approximately RM12.77 million) and SGD4 million (equivalent to approximately RM9.12 million), respectively. OCS became a 52.5%-owned subsidiary of UMW upon completion of the transaction.

On 22 April 2008, UMW India Ventures (L) Ltd., a 65%-owned subsidiary in the UMW Group, entered into a Share Sale Agreement with Jogen N. Buragohain ("Jogen") for the acquisition of 30,000 ordinary shares of INR100 each, representing 60% of the issued and paid-up share capital of Jaybee Drilling (P) Ltd. ("Jaybee") from Jogen and his associates, for a total cash consideration of USD1,894,566 (equivalent to approximately RM6,024,720). Jaybee became a 39%-owned subsidiary of UMW upon completion of the acquisition.

On 22 April 2008, UMW Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Share Sale Agreement with Dato' Muthukumar a/l Ayarpadde for the acquisition of 1,114,078 ordinary shares of USD1.00 each, representing 51% of the issued and paid-up share capital of MK Autocomponents Limited, a company incorporated in Malaysia for a total cash consideration of USD22.521 million (equivalent to approximately RM71.62 million).

On 29 October 2008, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Company, entered into a Joint Venture and Shareholders' Agreement with Titanium Assets Holdings Sdn. Bhd., R. Remakantan a/l Ramachandran and Mohan Krishna a/l Kunanayagam, for the acquisition of 60,000 ordinary shares of par value RM1.00 each, representing 60% of the existing issued and paid-up share capital of Coldfusion Engineering Sdn. Bhd. ("CFE") for a cash consideration of RM2.36 million. The eventual paid-up capital of CFE would be RM6 million and UMWC will subscribe to 3,540,000 new ordinary shares of par value RM1.00 each at par for cash, representing 60% of the increase in paid-up capital.

On 7 November 2008, the Company acquired the entire issued and paid-up share capital of UMW Malaysian Ventures Sdn. Bhd. ("UMW MV"), comprising two ordinary shares of RM1.00 each, for a cash consideration of RM2.00. The intended business of UMW MV is investment holding.

The above acquisitions had the following effects on the Group's financial results:

	2008 RM'000	2007 RM'000
Revenue	66,616	15,656
(Loss)/Profit from operations	(2,365)	5,878
Net (loss)/profit for the year	(4,921)	4,674

If the acquisitions had occurred on 1 January 2008, the Group's revenue and profit for the year would have been RM12.8 billion and RM955 million, respectively.

4. INVESTMENTS (CONT'D.)

(a) Investment in Subsidiaries (Cont'd.)

(iii) Acquisition of subsidiaries (Cont'd.)

The fair values of the assets acquired and liabilities assumed from the acquisitions of subsidiaries as at the effective acquisition dates were as follows:

	2008		2007	
	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 6)	17,880	17,880	1,068	1,068
Inventories	9,252	9,252	118	118
Trade and other receivables	13,360	13,360	9,652	9,652
Cash and bank balances	7,497	7,497	3,724	3,724
Due from related parties	-	-	1,006	1,006
	47,989	47,989	15,568	15,568
Trade and other payables	(24,612)	(24,612)	(5,781)	(5,781)
Bank borrowings	(9,505)	(9,505)	(604)	(604)
Taxation	-	-	(396)	(396)
Deferred tax liabilities (Note 18)	(70)	(70)	-	-
Due to related parties	-	-	(661)	(661)
	(34,187)	(34,187)	(7,442)	(7,442)
Fair value of net assets	13,802	13,802	8,126	8,126
Less: Minority interests	(6,162)	(6,162)	(3,612)	(3,612)
Fair value of net assets acquired	7,640	7,640	4,514	4,514
Goodwill on consolidation	100,946		3,131	
Cost of acquisition	108,586		7,645	

4. INVESTMENTS (CONT'D.)

(a) Investment in Subsidiaries (Cont'd.)

(iii) Acquisition of subsidiaries (Cont'd.)

	2008 RM'000	2007 RM'000
Goodwill on consolidation		
- Group's share of goodwill (Note 9(a))	95,122	3,034
- Minority interests share of goodwill	5,824	97
	100,946	3,131
The cash outflows on acquisitions is as follows:		
Total purchase consideration satisfied by cash:		
Paid in 2007	-	108
Paid in 2008	66,065	7,537
Payable in 2009	2,360	-
Profit guarantee retained to be paid in future	40,161	-
	108,586	7,645
Cash and cash equivalents of subsidiaries acquired	7,497	3,724
Cash outflow of acquisitions	(66,065)	(7,537)
Net cash outflow of the Group	(58,568)	(3,813)

(b) The Group's Investment in Jointly Controlled Entities

On 22 April 2008, UMW Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Share Sale Agreement with Dato' Muthukumar a/l Ayarpadde for the acquisition of 970,993 ordinary shares of USD1.00 each, representing 50% of the issued and paid-up share capital of MK Automotive Industries Limited, a company incorporated in Malaysia for a total cash consideration of USD970,993 (equivalent to approximately RM3.09 million).

On 5 June 2008, UMW Naga Two (L) Ltd., a wholly-owned subsidiary in the UMW Group, entered into a Share Purchase and Investment Agreement with Standard Drilling Far East Pte. Ltd. and Standard 3 Pte. Ltd. ("SD3") for the acquisition of 51% equity interest in SD3 at a total cash consideration of USD40,785,000. SD3 became a 51%-owned jointly controlled entity in the UMW Group upon completion of the acquisition.

On 9 June 2008, UMW Oilfield International (L) Ltd., a 60%-owned subsidiary in the UMW Group, entered into a Sale and Purchase Agreement with Airtrust (Singapore) Pte. Limited ("Airtrust") for the acquisition from Airtrust of 50% of the issued and paid-up share capital in Tubulars International Pte. Ltd. ("TIPL"), a wholly-owned subsidiary of Airtrust, for a total cash consideration of SGD50,000 (equivalent to approximately RM119,250). TIPL became a 30%-owned jointly controlled entity in the UMW Group upon completion of the acquisition.

On 10 October 2008, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Company, entered into a Joint Venture and Shareholders' Agreement with Dah Chong Hong (Motor Service Centre) Limited ("DCHMSC") for the establishment of a joint venture company in Hong Kong known as Lubritech International (Holdings) Limited ("LIHL") in the proportion of 60% UMWC and 40% DCHMSC. On 31 October 2008, UMWC received the certificate of incorporation of LIHL, a company registered in the Hong Kong Special Administrative Region of PRC.

4. INVESTMENTS (CONT'D.)

(b) The Group's Investment in Jointly Controlled Entities (Cont'd.)

The above acquisitions had the following effects on the Group's financial results:

	2008 RM'000	2007 RM'000
(Loss)/Profit from operations	(27)	3,393
Net (loss)/profit for the year	<u>(32)</u>	<u>3,393</u>

If the acquisitions had occurred on 1 January 2008, the Group's revenue and profit for the year would have been RM12.8 billion and RM955 million, respectively.

The fair values of the assets acquired and liabilities assumed from the acquisitions of jointly controlled entities as at the effective acquisition dates were as follows:

	2008		2007	
	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
	Investment	84	84	-
Property, plant and equipment (Note 6)	133,578	114,949	141,595	130,064
Other receivables	1,234	1,234	8,281	8,281
Cash and bank balances	1,860	1,860	105,640	105,640
	<u>136,756</u>	<u>118,127</u>	255,516	243,985
Trade and other payables	(564)	(564)	(72,989)	(72,989)
Due to related parties	(9,414)	(9,414)	-	-
	<u>(9,978)</u>	<u>(9,978)</u>	(72,989)	(72,989)
Fair value of net assets acquired	126,778		182,527	
Goodwill on consolidation	-		35,253	
Cost of acquisition	<u>126,778</u>		<u>217,780</u>	

4. INVESTMENTS (CONT'D.)

(b) The Group's Investment in Jointly Controlled Entities (Cont'd.)

	2008 RM'000	2007 RM'000
Goodwill on consolidation		
- Group's share of goodwill (Note 9(a))	-	35,253
The cash outflows on acquisitions is as follows:		
Total purchase consideration satisfied by cash:		
Paid in 2007	70,106	215,396
Paid in 2008	56,672	2,384
	126,778	217,780
Cash and cash equivalents of jointly controlled entities acquired	1,860	105,640
Cash outflow of acquisitions	(56,672)	(215,396)
Net cash outflow of the Group	(54,812)	(109,756)

Details of the jointly controlled entities are disclosed in Note 33 to the financial statements.

The summarised financial information of the jointly controlled entities that has been included in the consolidated financial statements of the Group is as follows:

	2008 RM'000	2007 RM'000
Assets and liabilities		
Current assets	28,543	60,508
Non-current assets	181,804	177,210
Total assets	210,347	237,718
Current liabilities	59,987	70,145
Non-current liabilities	-	-
Total liabilities	59,987	70,145
Results		
Revenue	-	-
(Loss)/Profit for the year	(32)	2,979
The Group's interest in capital commitments of the joint ventures are as follows:		
- undertaken during the year	117,795	47,146
- approved and contracted for	-	153,164

4. INVESTMENTS (CONT'D.)

(c) Investment in Associates

	Group	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost	486,286	394,038
Share of profits less losses	865,268	659,782
	1,351,554	1,053,820
Asset accretion arising from issue of new shares	117,089	110,706
Accumulated impairment loss	(522)	(372)
	1,468,121	1,164,154

The Group's share of results of associated companies is based on the audited or management financial statements of the associated companies for the year ended 31 December 2008.

The carrying value of the investment in associated companies is represented by:

	2008 RM'000	2007 RM'000
Group's share of aggregate net assets	1,391,540	1,085,321
Group's goodwill on acquisition	76,581	74,851
	1,468,121	1,160,172

Details of the associated companies are disclosed in Note 34 to the financial statements.

The financial statements of the associated companies disclosed in Note 34 to the financial statements are coterminous with those of the Group, except for UMW Toyotsu Motors Sdn. Bhd., Toyota Capital Malaysia Sdn. Bhd. (formerly known as UMW Toyota Capital Sdn. Bhd.) and its subsidiaries which have a financial year end of 31 March to conform with the respective holding company's financial year end and Oil-Tex (Thailand) Company Limited which financial year end is 30 June. For the purpose of applying the equity method of accounting, the management accounts for the 12 months period ended 31 December 2008 of these companies have been used.

The summarised financial information of the associates is as follows:

	2008 RM'000	2007 RM'000
Assets and liabilities		
Current assets	7,313,563	4,941,902
Non-current assets	3,319,115	2,097,192
Total assets	10,632,678	7,039,094
Current liabilities	4,032,247	2,137,874
Non-current liabilities	2,118,708	1,550,913
Total liabilities	6,150,955	3,688,787
Results		
Revenue	10,835,763	8,344,489
Profit for the year	677,594	587,249

4. INVESTMENTS (CONT'D.)

(c) Investment in Associates (Cont'd.)

The details of goodwill included within the Group's carrying amount of investment in associates are as follows:

	2008 RM'000	2007 RM'000
Goodwill		
At 1 January	74,851	74,552
Arising during the year	1,730	299
At 31 December	<u>76,581</u>	<u>74,851</u>

(d) Other Financial Assets

	Group	
	2008 RM'000	2007 RM'000
Shares quoted outside Malaysia, at cost	50,705	50,705
Unquoted shares, at cost	8,609	8,621
Cash plan/unit trust, at cost	64,025	17,420
	<u>123,339</u>	<u>76,746</u>
Accumulated impairment loss		
- unquoted shares	(3,322)	(575)
- quoted shares	(33,713)	-
	<u>(37,035)</u>	<u>(575)</u>
Provision for diminution in value		
- cash plan	(11)	-
	<u>86,293</u>	<u>76,171</u>
Market value of cash plan/unit trust	<u>64,013</u>	<u>17,826</u>
Market value of shares quoted outside Malaysia	<u>18,752</u>	<u>52,847</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

5. INVESTMENT PROPERTIES

	Freehold land RM'000	Building on freehold land RM'000	Building on long term leasehold land RM'000	Building on short term leasehold land RM'000	Total RM'000
Group					
Cost					
At 1 January 2007	129	260	291	19,451	20,131
Exchange differences	-	-	-	(17)	(17)
At 31 December 2007	129	260	291	19,434	20,114
Exchange differences	-	-	-	870	870
At 31 December 2008	129	260	291	20,304	20,984
Accumulated Depreciation					
1 January 2007	-	94	76	5,380	5,550
Exchange differences	-	-	-	(2)	(2)
Charge for the year	-	5	8	375	388
At 31 December 2007	-	99	84	5,753	5,936
Exchange differences	-	-	-	265	265
Charge for the year	-	5	8	386	399
At 31 December 2008	-	104	92	6,404	6,600
Net Carrying Amount					
At 31 December 2008	129	156	199	13,900	14,384
At 31 December 2007	129	161	207	13,681	14,178

Fair value of investment properties as at 31 December 2008 was estimated by the directors to be approximately RM20 million (2007:RM17 million) based on independent professional valuations or market values of comparable properties, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

6. PROPERTY, PLANT AND EQUIPMENT

	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In- Progress RM'000	**Other Assets RM'000	Total RM'000
Group					
Cost/Valuation					
At 1 January 2007	599,997	618,889	44,547	312,251	1,575,684
Exchange differences	(187)	(4,635)	(7,689)	2,259	(10,252)
Additions	22,741	181,787	146,492	53,071	404,091
Transfer to leased assets (Note 8)	-	(53)	-	-	(53)
Acquisition of:					
- subsidiaries (Note 4(a)(iii))	-	606	-	2,161	2,767
- jointly controlled entities (Note 4(b))	7,934	-	133,657	4	141,595
Write-offs	(1,017)	(15,833)	-	(6,384)	(23,234)
Disposals	(764)	(40,546)	-	(17,535)	(58,845)
Reclassification	69,838	23,671	(92,998)	(511)	-
At 31 December 2007	698,542	763,886	224,009	345,316	2,031,753
Exchange differences	(394)	(592)	19,607	(398)	18,223
Additions	20,551	200,876	246,845	47,594	515,866
Acquisition of:					
- subsidiaries (Note 4(a)(iii))	11,453	7,609	-	2,082	21,144
- jointly controlled entities (Note 4(b))	-	8	133,546	27	133,581
Write-offs	-	(1,044)	1	(6,251)	(7,294)
Disposals	(7,316)	(38,088)	-	(17,507)	(62,911)
Reclassification	24,151	12,378	(42,248)	7,209	1,490
At 31 December 2008	746,987	945,033	581,760	378,072	2,651,852
At 31 December 2008					
At cost	722,965	945,033	581,760	378,072	2,627,830
At valuation	24,022	-	-	-	24,022
	746,987	945,033	581,760	378,072	2,651,852
At 31 December 2007					
At cost	674,520	763,886	224,009	345,316	2,007,731
At valuation	24,022	-	-	-	24,022
	698,542	763,886	224,009	345,316	2,031,753

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In- Progress RM'000	**Other Assets RM'000	Total RM'000
Group					
Accumulated Depreciation and Impairment Losses					
At 1 January 2007	113,824	364,191	-	204,000	682,015
Exchange differences	72	2	-	2,352	2,426
Transfer to leased assets (Note 8)	-	(16)	-	-	(16)
Acquisition of subsidiaries (Note 4(a)(iii))	-	438	-	1,261	1,699
Charge for the year	16,421	84,792	-	36,987	138,200
Write-offs	(754)	(15,552)	-	(6,013)	(22,319)
Disposals	(2,806)	(30,298)	-	(17,513)	(50,617)
Impairment	104	2,002	-	(96)	2,010
Reclassification	-	238	-	(238)	-
At 31 December 2007	126,861	405,797	-	220,740	753,398
Exchange differences	102	(3,248)	-	(1,151)	(4,297)
Acquisition of:					
- subsidiaries (Note 4(a)(iii))	362	1,884	-	1,018	3,264
- jointly controlled entities (Note 4(b))	-	1	-	2	3
Charge for the year	16,510	89,616	-	34,472	140,598
Write-offs	-	(938)	-	(6,007)	(6,945)
Disposals	(564)	(20,151)	-	(10,257)	(30,972)
Impairment	-	2,951	-	-	2,951
Reclassification	92	178	-	1,220	1,490
At 31 December 2008	143,363	476,090	-	240,037	859,490
At 31 December 2008					
At cost	131,629	476,090	-	240,037	847,756
At valuation	11,734	-	-	-	11,734
	143,363	476,090	-	240,037	859,490
At 31 December 2007					
At cost	115,423	405,797	-	220,740	741,960
At valuation	11,438	-	-	-	11,438
	126,861	405,797	-	220,740	753,398

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In-Progress RM'000	**Other Assets RM'000	Total RM'000
Group					
Net Carrying Amount					
At 31 December 2008					
At cost	591,336	468,943	581,760	138,035	1,780,074
At valuation	12,288	-	-	-	12,288
	603,624	468,943	581,760	138,035	1,792,362
At 31 December 2007					
At cost	559,097	358,089	224,009	124,576	1,265,771
At valuation	12,584	-	-	-	12,584
	571,681	358,089	224,009	124,576	1,278,355

***LAND AND BUILDINGS**

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Cost/Valuation					
At 1 January 2007	107,817	89,244	115,693	287,243	599,997
Exchange differences	(143)	35	-	(79)	(187)
Additions	13,041	368	8,811	521	22,741
Acquisition of jointly controlled entities	7,934	-	-	-	7,934
Write-offs	-	-	(1,017)	-	(1,017)
Disposals	-	-	(764)	-	(764)
Reclassification	-	58,719	11,119	-	69,838
At 31 December 2007	128,649	148,366	133,842	287,685	698,542
Exchange differences	(1,428)	(84)	299	819	(394)
Additions	9,053	4,271	5,621	1,606	20,551
Acquisition of subsidiaries	3,182	881	7,390	-	11,453
Disposals	-	-	(7,261)	(55)	(7,316)
Reclassification	-	2,664	21,487	-	24,151
At 31 December 2008	139,456	156,098	161,378	290,055	746,987
At 31 December 2008					
At cost	139,456	155,558	138,140	289,811	722,965
At valuation	-	540	23,238	244	24,022
	139,456	156,098	161,378	290,055	746,987
At 31 December 2007					
At cost	128,649	147,826	110,604	287,441	674,520
At valuation	-	540	23,238	244	24,022
	128,649	148,366	133,842	287,685	698,542

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

***LAND AND BUILDINGS (CONT'D.)**

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses					
At 1 January 2007	-	11,192	41,778	60,854	113,824
Exchange differences	-	31	-	41	72
Charge for the year	-	3,151	2,972	10,298	16,421
Write-offs	-	-	(754)	-	(754)
Disposals	-	-	(2,806)	-	(2,806)
Impairment loss	-	104	-	-	104
At 31 December 2007	-	14,478	41,190	71,193	126,861
Exchange differences	-	(22)	13	111	102
Charge for the year	-	3,052	12,192	1,266	16,510
Acquisition of subsidiaries	-	30	332	-	362
Disposals	-	-	(564)	-	(564)
Reclassification	-	-	92	-	92
At 31 December 2008	-	17,538	53,255	72,570	143,363
At 31 December 2008					
At cost	-	17,400	41,903	72,326	131,629
At valuation	-	138	11,352	244	11,734
	-	17,538	53,255	72,570	143,363
At 31 December 2007					
At cost	-	14,348	30,126	70,949	115,423
At valuation	-	130	11,064	244	11,438
	-	14,478	41,190	71,193	126,861
Net Carrying Amount					
At 31 December 2008					
At cost	139,456	138,158	96,237	217,485	591,336
At valuation	-	402	11,886	-	12,288
	139,456	138,560	108,123	217,485	603,624
At 31 December 2007					
At cost	128,649	133,478	80,478	216,492	559,097
At valuation	-	410	12,174	-	12,584
	128,649	133,888	92,652	216,492	571,681

** Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

- (a) Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use with their carrying costs as follows:

	2008	2007
	RM'000	RM'000
Land and building	41,870	39,629
Plant and machinery	173,227	148,945
Office equipment, furniture and fittings and motor vehicles	83,590	123,618

- (b) Details of independent professional valuations of land and buildings owned by the Group at 31 December 2008 which are carried at valuation are as follows:

Year of Valuation	Description of Property	Amount RM'000	Basis of Valuation
1979	Land and buildings in Shah Alam, Selangor	14,333	Open market value
1979	Land and building in Tawau, Sabah	244	Open market value
1979	Land and building in Kota Kinabalu, Sabah	5,435	Open market value
1984	Land and building in Temerloh, Pahang	256	Open market value
1985	Land and building in Kuantan, Pahang	3,470	Open market value
1985	Land and building in Ipoh, Perak	284	Open market value
		<u>24,022</u>	

- (c) Due to the absence of historical records, the net book values of the above land and buildings, had the revalued assets been carried at historical cost less accumulated depreciation, are not disclosed.
- (d) The net book value of plant and equipment held under hire purchase arrangements is RM3,666,707 (2007: RM1,662,365).
- (e) The net book values of property, plant and equipment pledged for borrowings (Note 16 & Note 19) are as follows:

	Group	
	2008	2007
	RM'000	RM'000
Motor vehicle	13,522	-
Land and buildings	13,853	-
	<u>27,375</u>	<u>-</u>

7. PREPAID LAND LEASE PAYMENTS

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Cost			
At 1 January 2007	219,979	18,464	238,443
Exchange differences	41	(59)	(18)
Additions	8,253	2,243	10,496
Disposals	(2,396)	-	(2,396)
Reclassification	(496)	496	-
Reclassification from non-current asset held for sale	3,880	-	3,880
At 31 December 2007	229,261	21,144	250,405
Exchange differences	458	(32)	426
Additions	16,405	-	16,405
Disposals	-	(466)	(466)
Reclassification	(10,732)	10,732	-
Reclassification to non-current asset held for sale	(4,847)	-	(4,847)
At 31 December 2008	230,545	31,378	261,923
Accumulated Depreciation and Impairment Losses			
At 1 January 2007	24,488	8,045	32,533
Exchange differences	19	(11)	8
Charge for the year	3,584	693	4,277
Disposals	(829)	-	(829)
Impairment loss	1,309	-	1,309
At 31 December 2007	28,571	8,727	37,298
Exchange differences	250	(7)	243
Charge for the year	3,600	849	4,449
Disposals	-	(415)	(415)
Reclassification	(1,160)	1,160	-
Reclassification to non-current asset held for sale	(1,312)	-	(1,312)
At 31 December 2008	29,949	10,314	40,263
Net Carrying Amount			
At 31 December 2008	200,596	21,064	221,660
At 31 December 2007	200,690	12,417	213,107

8. LEASED ASSETS

	Machinery and Equipment RM'000
Group	
Cost	
At 1 January 2007	210,474
Exchange differences	(269)
Additions	85,722
Transfer from property, plant and equipment (Note 6)	53
Transfer from inventories	194
Disposals	(50,153)
At 31 December 2007	246,021
Exchange differences	4,826
Additions	97,237
Write-offs	(232)
Disposals	(61,054)
At 31 December 2008	286,798
Accumulated Depreciation	
At 1 January 2007	91,414
Exchange differences	25
Charge for the year	41,861
Transfer from property, plant and equipment (Note 6)	16
Disposals	(25,556)
Impairment of assets	1,162
At 31 December 2007	108,922
Exchange differences	2,079
Charge for the year	49,057
Write-offs	(230)
Disposals	(32,225)
Impairment of assets	1,296
At 31 December 2008	128,899
Net Book Value	
At 31 December 2008	157,899
At 31 December 2007	137,099

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

8. LEASED ASSETS (CONT'D.)

The future minimum lease payments receivable by the Group in relation to those assets that have been leased as at year end are as follows:

	2008 RM'000	2007 RM'000
Due within 1 year	72,626	67,802
Due between 1 and 2 years	42,431	50,066
Due between 2 and 5 years	28,853	35,241
Due after 5 years	15,000	15,018
	158,910	168,127

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM51,579,000 (2007: RM26,680,000).

9. INTANGIBLE ASSETS

	Group	
	2008 RM'000	2007 RM'000
Goodwill on consolidation (Note a)	131,246	56,975
Product development expenditure (Note b)	1,660	1,948
	132,906	58,923

(a) Goodwill on Consolidation

At 1 January	56,975	20,133
Arising from acquisition of:		
- subsidiaries (Note 4(a)(iii))	95,122	3,034
- jointly controlled entities (Note 4(b))	-	35,253
Arising from acquisition of additional shares	2,304	-
Arising from reduction in shares	(12,339)	-
Profit guarantee shortfall	(1,933)	(1,522)
Exchange differences	(8,883)	77
At 31 December	131,246	56,975

The profit guarantee shortfalls for both 2008 and 2007, were in respect of payments by vendors of UMW Offshore Investment (L) Ltd. ("UOI") due to crystallisation of a profit guarantee given at the time of the Group's acquisition of UOI in 2003. The payments were accounted for as a reduction in the Group's costs of investment in UOI and consequently, goodwill arising from the acquisition.

9. INTANGIBLE ASSETS (CONT'D.)

(b) Product Development Expenditure

	Group	
	2008 RM'000	2007 RM'000
At 1 January	1,948	1,449
Incurred and capitalised during the year	138	1,948
Charged to income statement	(426)	(1,449)
At 31 December	<u>1,660</u>	<u>1,948</u>

(c) Impairment Tests For Goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified according to country of operation and business segment as follows:

	Malaysia RM'000	People's Republic of China RM'000	India RM'000	Singapore RM'000	Total RM'000
At 31 December 2008					
Oil & Gas	11,291	7,611	32,425	15,529	66,856
Manufacturing & Engineering	3,104	-	70,011	-	73,115
Others	81	-	-	-	81
	<u>14,476</u>	<u>7,611</u>	<u>102,436</u>	<u>15,529</u>	<u>140,052</u>
Exchange differences	-	-	(9,433)	627	(8,806)
	<u>14,476</u>	<u>7,611</u>	<u>93,003</u>	<u>16,156</u>	<u>131,246</u>
At 31 December 2007					
Oil & Gas	8,986	9,544	38,059	228	56,817
Others	81	-	-	-	81
	<u>9,067</u>	<u>9,544</u>	<u>38,059</u>	<u>228</u>	<u>56,898</u>
Exchange differences	-	-	77	-	77
	<u>9,067</u>	<u>9,544</u>	<u>38,136</u>	<u>228</u>	<u>56,975</u>

9. INTANGIBLE ASSETS (CONT'D.)

(c) Impairment Tests For Goodwill (Cont'd.)

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five years period are computed based on year five cash flow into perpetuity. Key assumptions used for value-in-use calculations are:

	Gross Margin		Discount Rates	
	2008	2007	2008	2007
Oil & Gas:				
Malaysia	16.0	16.0	12.0	12.0
People's Republic of China	9.0	22.0	10.0	32.0
India	22.0	38.5	10.0-12.0	8.2
Singapore	20.0	20.0	9.0	9.0
Others:				
Malaysia	8.8	8.8	11.0	11.0

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) **Budgeted gross margin**

The basis used to determine the value assigned to the budgeted gross margin is the average margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) **Discount rate**

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

(iii) **Bond rate**

The bond rates used are the yield on 5-year Malaysian government and China government bond rates at the beginning of the budgeted year.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the oil & gas and other segments, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts.

10. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed banks	1,208,976	1,188,752	4,969	4,945
Cash and bank balances	328,826	384,835	1,291	566
	1,537,802	1,573,587	6,260	5,511

Deposits with licensed banks and bank balances of the Group amounting to RM802,600 (2007: RM1,792,700) are pledged to a bank for credit facilities granted to a subsidiary in 2008 (Note 19).

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Deposits with licensed banks	0.2 - 10.0	1.3 - 7.0	3.1	3.4

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2008 Average Maturity Days	2007 Average Maturity Days	2008 Average Maturity Days	2007 Average Maturity Days
Deposits with licensed banks	2 - 200	2 - 365	31	31

11. RECEIVABLES

The receivables of the Group and the Company are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables (Note a)	683,307	632,607	-	-
Other receivables (Note b)	254,611	221,520	39	40
	937,918	854,127	39	40
Due from wholly-owned subsidiaries (Note c)	-	-	489,347	807,138

11. RECEIVABLES (CONT'D.)

(a) Trade Receivables

	Group	
	2008 RM'000	2007 RM'000
Trade receivables	719,388	666,177
Provision for doubtful debts	(36,081)	(33,570)
	683,307	632,607

The Group's normal trade credit terms range from 2 days to 180 days. Other credit terms are assessed and approved on a case-by-case basis.

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

(b) Other Receivables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due from associated companies	74,369	20,962	-	-
Accrued income	5,776	5,351	1	2
Tax recoverable	4,212	5,081	-	-
Deposits	27,728	21,435	5	5
Due from a corporate shareholder of a subsidiary	33,504	29,416	-	-
Prepayments	57,859	15,159	33	33
Sundry receivables	61,897	134,601	-	-
	265,345	232,005	39	40
Provision for doubtful debts	(10,734)	(10,485)	-	-
	254,611	221,520	39	40

(c) Due from Wholly-Owned Subsidiaries

The amounts due from wholly-owned subsidiaries are unsecured, interest free and have no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

12. INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	1,235,833	923,092
Other finished goods	60,695	33,393
Work-in-progress	97,549	81,394
Raw materials and consumables	43,522	44,450
	1,437,599	1,082,329
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	14,893	5,453
Other finished goods	216	106
Raw materials and consumables	1,122	1,053
	16,231	6,612
	1,453,830	1,088,941

During the financial year, there was a reversal of a write down of inventories of RM6.95 million (2007: RM14.82 million). The reversal arose from an increase in net realisable value as a result of improving prices of inventories during the financial year.

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM9.92 billion (2007: RM7.87 billion).

13. NON-CURRENT ASSETS HELD FOR SALE

This represents long term leasehold land with a carrying value of RM3,535,000 (2007: RM10,364,000). The lease will expire on 16 April 2094.

The Group had entered into a Sale and Purchase Agreement ("SPA") or committed to dispose part of its leasehold land as detailed below:

Date of SPA	Name of Buyer	Sales Consideration RM'000	Status as at 31 December 2008
24 March 2008	InnoSteel Sdn. Bhd.	7,956	*Pending completion
	TGM Realty Sdn. Bhd.	6,835	Pending signing of SPA

* The Group is in the process of applying for the sub-division of the relevant land from the Authorities, upon which separate title documents for the said land will be issued and the Sale and Purchase shall be finalised.

14. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
(a) Authorised:				
At 1 January/31 December	1,200,000	1,200,000	600,000	600,000
(b) Issued and fully paid:				
At 1 January	1,075,421	1,020,379	537,711	510,190
Issued under the ESOS	16,722	55,042	8,361	27,521
At 31 December	1,092,143	1,075,421	546,072	537,711

(c) Share Split

On 4 March 2008, the Company implemented a share split involving the sub-division of every one (1) existing UMW Share into two (2) new ordinary shares of RM0.50 each held in the Company and amended the Memorandum of Association of the Company to facilitate the implementation of the share split. The share split has no effect on the issued and paid-up capital of the Company. However, the number of ordinary shares in issue as at 3 March 2008 doubled as a result of the share split.

(d) Employee Share Option Scheme

The UMW Holdings Berhad Employee Share Option Scheme ("ESOS") was approved by shareholders at an Extraordinary General Meeting of the Company held on 3 April 2006 and became effective on 18 April 2006.

The main features of ESOS are as follows:

- (i) Eligible persons are employees of the Group who have been confirmed in the employment of the Group including full-time salaried executive directors. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (ii) The total number of shares to be offered shall not exceed in aggregate 15% of the issued and paid-up ordinary share capital of the Company at the point of offer during the duration of the ESOS, which shall be in force for a period of five years from 18 April 2006 and expiring on 17 April 2011.
- (iii) The option price for each share shall be determined by the ESOS Committee at its discretion based on the five (5)-day weighted average market price ("5D-WAMP") of the underlying shares of the Company immediately prior to the date of offer provided that the price so determined shall not be at a discount of more than 10% of the 5D-WAMP and shall not be less than the par value of the shares of the Company.
- (iv) Not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the Group and not more than 10% of the shares available under the ESOS shall be allocated to any individual eligible employee, who, either singly or collectively through persons connected with him/her holds 20% or more of the issued and paid-up share capital of the Company.
- (v) Options granted under the ESOS shall be capable of being exercised by the grantee in stages upon satisfaction of stipulated service conditions ranging from immediately exercisable on grant date to 2 years of service from grant dates whilst he/she is in the employment of the Group, by notice in writing to the Company of his/her intention to exercise an option during the option period.

14. SHARE CAPITAL (CONT'D.)

(d) Employee Share Option Scheme (Cont'd.)

- (vi) The number of shares under option or the option price or both so far as the options remain unexercised, may be adjusted following any alteration in the capital structure of the Company during the option period by way of rights issues, bonus issues, capital reduction, sub-division or consolidation of capital of the Company.
- (vii) The new shares to be issued and allotted upon the exercise of any option shall upon issuance, allotment and full payment, rank pari passu in all respects with the existing shares of the Company at the time of allotment and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.
- (viii) Pursuant to Article 13 of the UMW ESOS By-Laws, the exercise prices were revised from RM6.67, RM6.66 and RM6.65 to RM3.335, RM3.330 and RM3.325, respectively, as a result of the UMW Share Split which involved the sub-division of every one (1) existing UMW Share of RM1.00 each into two (2) new ordinary shares of RM0.50 each. In addition, outstanding share options of 14,836,900 shares granted but not exercised as at 3 March 2008, was increased by 100% to 29,673,800 shares as a result of the share split.

The table below illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

<----- No. of Share Options of RM0.50 each ----->							
Outstanding at 1 January '000	<----- Movements During the Year ----->				Outstanding at 31 December '000	Exercisable at 31 December '000	
	Granted '000	Exercised '000	Forfeited '000	Lapsed '000			

2008

Exercise Price

RM

Options Granted in 2006

3.335	11,308	-	6,713	30	65	4,500	4,500
3.330	18,734	-	9,474	142	15	9,103	9,103
3.325	1,216	-	652	-	-	564	564
	31,258	-	16,839	172	80	14,167	14,167

WAEP (RM)	3.332	-	3.332	3.331	3.334	3.331	3.331
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Options Granted in 2008

5.160	-	23,996	-	74	-	23,922	23,922
4.930	-	39,390	-	6	-	39,384	39,384
	-	63,386	-	80	-	63,306	63,306

WAEP (RM)	-	5.017	-	5.143	-	5.017	5.017
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14. SHARE CAPITAL (CONT'D.)

(d) Employee Share Option Scheme (Cont'd.)

	<----- No. of Share Options of RM1.00 each ----->						
	Outstanding	Movements During the Year				Outstanding	Exercisable
	at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Lapsed '000	at 31 December '000	at 31 December '000
2007							
Exercise Price							
RM							
Options Granted in 2006							
6.67	15,776	-	9,772	331	19	5,654	690
6.66	25,847	-	15,866	604	9	9,368	1,557
6.65	2,560	-	1,942	10	-	608	166
	44,183	-	27,580	945	28	15,630	2,413
WAEP (RM)	6.66	-	6.66	6.66	6.67	6.66	6.66

(aa) Details of share options outstanding at the end of the year:

	WAEP RM	Exercise Period
2008		
Options granted in 2006	3.33	7 June 2007 - 17 April 2011
Options granted in 2008	5.02	21 October 2008 - 17 April 2011

(bb) Share options exercised during the year

As disclosed in Note 14(b), options exercised during the financial year resulted in the allotment and issuance of 16,722,300 (2007: 55,041,600) ordinary shares of RM0.50 each at an average price of RM3.332 (2007: RM3.330) per share of RM0.50 each. The related weighted average share price at the date of exercise was RM6.15 (2007: RM5.92).

(cc) Fair value of share options granted

The fair values of share options granted by the Company to the employees of the Group were estimated by using the trinomial option valuation model and take into account the terms and conditions upon which the options were granted. The fair values of share options measured at grant dates and the assumptions are as follows:

	Options Granted in 2006		
Grant date	7.6.06	10.8.06	18.9.06
Option price per share of RM1.00 (RM)	6.67	6.66	6.65
Fair values at grant date:			
Immediately exercisable (RM)	0.937	1.051	1.635
Exercisable after 1 year of service (RM)	0.927	1.041	1.629
Exercisable after 2 years of service (RM)	0.899	1.014	1.611
Weighted average share price (RM)	7.28	7.38	7.50
Expected volatility (%)	14.17	14.52	23.52
Risk free rate (%)	4.08	4.32	4.35

14. SHARE CAPITAL (CONT'D.)

(d) Employee Share Option Scheme (Cont'd.)

(cc) Fair value of share options granted (Cont'd.)

	Options Granted in 2008	
Grant date	21.10.08	1.12.08
Option price per share of RM0.50 (RM)	5.16	4.93
Fair values at grant date:		
Immediately exercisable (RM)	1.068	0.632
Weighted average share price (RM)	5.81	5.16
Expected volatility (%)	24.11	21.56
Risk free rate (%)	3.69	3.22

The expected volatility reflects the assumption that the historical data is indicative of future trends, which may not necessarily be the actual outcome.

15. CAPITAL RESERVE

Capital reserve relates primarily to surplus on revaluation of properties conducted between 1979 and 1985 as disclosed in Note 6(b).

16. LONG TERM LIABILITIES

	Group	
	2008	2007
	RM'000	RM'000
Secured		
Term loan	113,129	14,468
Less: Amount payable within one year (Note 19)	(1,315)	(5,477)
	111,814	8,991
Unsecured		
Term loan	633,084	377,348
Less: Amount payable within one year (Note 19)	(27,117)	(33,111)
	605,967	344,237
Finance lease payable (Note 21)	1,736	935
	607,703	345,172
Total long term liabilities	719,517	354,163

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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16. LONG TERM LIABILITIES (CONT'D.)

The maturity and exposure to interest rate risk of the borrowings are as follows:

	RWAEIR* %	Within 1 Year RM'000	1- 2 Years RM'000	2- 5 Years RM'000	More than 5 years RM'000	Total RM'000
31 December 2008						
Secured						
- Floating rate	4.0 - 12.5	841	1,257	9,221	-	11,319
- Fixed rate	2.3 - 12.0	474	1,359	613	99,364	101,810
		1,315	2,616	9,834	99,364	113,129
Unsecured						
- Floating rate	1.8 - 5.0	25,117	73,784	506,262	21,938	627,101
- Fixed rate	3.4 - 16.9	2,000	63	-	3,920	5,983
		27,117	73,847	506,262	25,858	633,084
		28,432	76,463	516,096	125,222	746,213
31 December 2007						
Secured						
- Floating rate	8.5	5,477	-	8,991	-	14,468
Unsecured						
- Floating rate	5.5 - 8.5	25,111	24,284	163,863	145,170	358,428
- Fixed rate	5.0 - 7.4	8,000	4,083	2,917	3,920	18,920
		33,111	28,367	166,780	149,090	377,348
		38,588	28,367	175,771	149,090	391,816

* Range of Weighted Average Effective Interest Rate ("RWAEIR")

The secured long term borrowings of the Group for the year 2008 were secured by first legal charge, fixed and floating charge over assets of certain subsidiaries, corporate guarantee of the Company and certain subsidiaries, and directors' personal guarantee of certain subsidiaries.

The secured long term borrowings of the Group for the year 2007 were secured by corporate guarantee and directors' personal guarantee of certain subsidiaries.

17. PROVISION FOR LIABILITIES

	Retirement Benefits RM'000	Warranties RM'000	Total RM'000
Group			
At 1 January 2007	5,362	77,008	82,370
Charged to income statement	6,225	20,498	26,723
Utilised during the year	(3,604)	(12,475)	(16,079)
Reversed during the year	-	(315)	(315)
Exchange translation differences	7	60	67
At 31 December 2007	7,990	84,776	92,766
Charged to income statement	1,810	31,049	32,859
Utilised during the year	(4,574)	(13,267)	(17,841)
Reversed during the year	(495)	(714)	(1,209)
Exchange translation differences	300	(60)	240
Reclassified (to)/from other payables	(3,454)	7,254	3,800
At 31 December 2008	1,577	109,038	110,615
At 31 December 2008			
Current	180	66,440	66,620
Non-current:			
Later than 1 year but not later than 2 years	615	26,305	26,920
Later than 2 years but not later than 5 years	467	16,293	16,760
Later than 5 years	315	-	315
	1,397	42,598	43,995
	1,577	109,038	110,615
At 31 December 2007			
Current	913	48,996	49,909
Non-current:			
Later than 1 year but not later than 2 years	3,115	22,124	25,239
Later than 2 years but not later than 5 years	2,364	13,111	15,475
Later than 5 years	1,598	545	2,143
	7,077	35,780	42,857
	7,990	84,776	92,766

(a) Retirement Benefit Obligations

The Group operates funded, defined benefit plans ("the Plans") for its eligible employees. Contributions to the Plans are made to separately administered funds. Under the Plans, eligible employees are entitled to retirement benefits after serving the Group for a period of not less than 5 years.

17. PROVISION FOR LIABILITIES (CONT'D.)

(a) Retirement Benefit Obligations (Cont'd.)

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2008 RM'000	2007 RM'000
Present value of funded defined contribution obligations	22,896	24,864
Fair value of plan assets	(21,296)	(17,162)
Present value of unfunded defined contribution obligations	1,600	7,702
Unrecognised actuarial (gain)/loss	(23)	288
Obligations representing net liability	1,577	7,990

The amounts recognised as operating expenses in the income statement are as follows:

	Group	
	2008 RM'000	2007 RM'000
Current service cost	2,449	4,084
Interest cost	1,097	1,045
Expected return on plan assets	(842)	(758)
Net actuarial (gain)/loss recognised during the year	(256)	148
Past service cost	(1,133)	1,699
Transitional liability	-	7
Total (included in staff costs) (Note 24)	1,315	6,225

The actual return on the plan assets of the Group was RM744,459 (2007: RM610,715).

Principal actuarial assumptions used:

	2008 %	2007 %
Discount rate	5.9	6.2
Expected return on plan assets	5.6	5.8
Expected rate of salary increases	4.0 - 12.0	4.0 - 12.0

(b) Warranties

The Group gives 1 to 10 years of warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold during the last 1 to 10 years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred between 1 year to 5 years from the balance sheet date. Assumptions used to calculate the provision for warranties were based on sales levels and current information available about repairs and returns during warranty periods for all products sold.

18. DEFERRED TAXATION

	Group	
	2008 RM'000	2007 RM'000
At 1 January	(8,704)	9,718
Recognised in the income statement (Note 27)	3,492	(18,331)
Acquisition of subsidiary (Note 4(a)(iii))	70	-
Exchange differences	(162)	(91)
At 31 December	<u>(5,304)</u>	<u>(8,704)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(21,331)	(22,139)
Deferred tax liabilities	16,027	13,435
	<u>(5,304)</u>	<u>(8,704)</u>

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred Tax Liabilities of the Group:

	Revaluation of Property RM'000	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2008	2,595	22,889	16	25,500
Recognised in income statement	(210)	7,283	1,251	8,324
Exchange differences	-	230	23	253
Effect of changes in income tax rate	(1)	(248)	(1)	(250)
At 31 December 2008	<u>2,384</u>	<u>30,154</u>	<u>1,289</u>	<u>33,827</u>
At 1 January 2007	2,972	32,961	509	36,442
Recognised in income statement	(376)	(10,110)	(493)	(10,979)
Exchange differences	-	44	-	44
Effect of changes in income tax rate	(1)	(6)	-	(7)
At 31 December 2007	<u>2,595</u>	<u>22,889</u>	<u>16</u>	<u>25,500</u>

18. DEFERRED TAXATION (CONT'D.)

Deferred Tax Assets of the Group:

	Unabsorbed Capital Allowances RM'000	Provision for Liabilities RM'000	Unabsorbed Losses RM'000	Others RM'000	Total RM'000
At 1 January 2008	(467)	(20,806)	(31)	(12,900)	(34,204)
Recognised in income statement	(739)	(995)	(2,729)	(638)	(5,101)
Exchange differences	-	(1,185)	-	840	(345)
Effect of changes in income tax rate	-	478	-	41	519
At 31 December 2008	(1,206)	(22,508)	(2,760)	(12,657)	(39,131)
At 1 January 2007	(558)	(11,116)	(197)	(14,853)	(26,724)
Recognised in income statement	91	(9,641)	167	1,992	(7,391)
Exchange differences	-	(74)	(1)	(60)	(135)
Effect of changes in income tax rate	-	25	-	21	46
At 31 December 2007	(467)	(20,806)	(31)	(12,900)	(34,204)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2008 RM'000	2007 RM'000
Unabsorbed tax losses	180,719	167,137
Unutilised capital allowances	62,595	66,885
	243,314	234,022

The availability of the unabsorbed tax losses and unutilised capital allowances for offsetting against future taxable profits of the relevant companies in the Group are subject to there being no substantial change in shareholdings of the respective tax entity under Section 44(5A) & Paragraph 75A of the 3rd Schedule of the Income Tax Act, 1967, respectively. Deferred tax assets have not been recognised in respect of these item as there is no probable expectation that future taxable income will be sufficient to allow the benefit to be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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19. SHORT TERM BORROWINGS

	Group	
	2008 RM'000	2007 RM'000
Secured		
Short term loan	5,549	-
Finance lease payables (Note 21)	790	951
Bank overdrafts	4,604	501
Long term loans payable within one year (Note 16)	1,315	5,477
	12,258	6,929
Unsecured		
Short term loan	154,501	88,943
Finance lease payables (Note 21)	16	119
Bank overdrafts	13,499	5,863
Trust receipts	31,028	11,931
Bankers' acceptances and revolving credits	289,535	235,140
Long term loans payable within one year (Note 16)	27,117	33,111
	515,696	375,107
Total short term borrowings	527,954	382,036

The secured short term borrowings of the Group for the year 2008 were secured by fixed and floating charge over assets of certain subsidiaries, corporate guarantee of certain subsidiaries, directors' personal guarantee of certain subsidiaries and deposit & bank balance of a subsidiary (Note 10).

The range of weighted average effective interest rates at the balance sheet date for borrowings, excluding finance lease payables, were as follows:

	Group	
	2008 %	2007 %
Short term loans	2.8 - 6.9	3.0 - 8.5
Bank overdrafts	5.8 - 12.5	5.5 - 7.8
Trust receipts	4.4	6.1 - 7.3
Bankers' acceptances	3.5 - 4.1	3.7 - 4.0
Revolving credits	3.5 - 4.3	4.1 - 6.1
Long term loans	2.3 - 16.9	3.0 - 8.5

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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20. PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	432,595	528,977	-	-
Bill payables	8,451	6,727	-	-
Sales tax accruals	62,437	64,510	-	-
Customer deposits	131,167	63,063	-	-
Related parties	297,595	300,130	-	-
Provisions and accruals	260,289	164,044	1,044	1,370
Provision for unutilised leave	11,631	20,754	-	-
Sundry payables	446,349	339,826	1,102	229
	1,650,514	1,488,031	2,146	1,599

The related parties balances mainly comprise amounts due to Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan, being corporate shareholders of subsidiary company and/or its subsidiaries and associated companies for purchase of inventories.

Included in sundry payables is an amount of RM42,521,000 (2007: RM2,384,000) being purchase considerations retained in respect of the acquisitions of equity interest in subsidiaries (2007: a jointly controlled entity), which was payable upon satisfaction of certain conditions (Note 4(a) and (b)).

21. FINANCE LEASE PAYABLES

	Group	
	2008 RM'000	2007 RM'000
Minimum lease payments:		
Not later than 1 year	856	1,114
Later than 1 year and not later than 2 years	431	334
Later than 2 years and not later than 5 years	1,267	549
Later than 5 years	150	165
	2,704	2,162
Less: Future finance charges	(162)	(157)
Present value of finance lease liabilities	2,542	2,005
Present value of finance lease liabilities:		
Not later than 1 year	806	1,070
Later than 1 year and not later than 2 years	391	297
Later than 2 years and not later than 5 years	1,201	483
Later than 5 years	144	155
	2,542	2,005
Analysed as:		
Due within 12 months (Note 19)	806	1,070
Due after 12 months (Note 16)	1,736	935
	2,542	2,005

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

21. FINANCE LEASE PAYABLES (CONT'D.)

The weighted average effective interest rate at the balance sheet date for the lease liabilities ranges from 2.26% to 16.88% (2007: 5.50% to 16.88%).

22. REVENUE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross dividend income from subsidiaries	-	-	35,775	675,975
Sale of goods and services	12,764,985	9,972,429	-	-
Commission receivable	45	152	-	-
Rental income from investment properties	4,409	3,041	-	-
Others	142	529	-	-
	12,769,581	9,976,151	35,775	675,975

23. OTHER INCOME

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000

(a) Other Operating Income

Included in other operating income are:

Gain on disposal of property, plant and equipment and leased assets	20,485	12,441	-	-
Gain on disposal of investments	823	458	-	-
Net gain on foreign exchange				
- realised	18,647	10,120	-	-
- unrealised	-	1,071	-	-
Bad debts recovered	1,036	102	-	-
Rental income from operating leases	1,282	1,140	-	-
Commission	58,863	43,604	-	-

(b) Investment Income

Investment income comprises:

Gross dividend income on unquoted equity investment in Malaysia	60	175	-	-
Interest income	51,291	53,632	265	212
Sundry income	-	-	1	-
	51,351	53,807	266	212

24. EMPLOYEE BENEFITS

	Group	
	2008 RM'000	2007 RM'000
(a) Staff costs		
Wages and salaries	536,304	433,907
Social security costs	4,529	3,714
Provision for unutilised leave	2,282	3,721
Pension costs - defined contribution plan	58,497	50,007
Pension costs - defined benefit plans (Note 17(a))	1,315	6,225
Share options granted under ESOS	54,066	21,345
Other staff related expenses	54,343	43,455
	711,336	562,374

(b) Directors' remuneration is as follows:

Salaries and other emoluments		
- the Company*	1,344	1,280
- subsidiaries	19,297	17,418
Pension costs - defined contribution plan		
- the Company*	214	184
- subsidiaries	2,092	1,718
Benefits-in-kind		
- the Company*	107	82
- subsidiaries	3,155	1,663
ESOS		
- the Company	444	185
- subsidiaries	4,320	1,351

* The details of the salaries and other emoluments of a director of the Company are as follows:

	Salaries and other emoluments		Benefits-in-kind	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Group				
Executive Director				
Dato' Abdul Halim bin Harun	1,558	1,464	107	82

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

25. OTHER OPERATING EXPENSES

Included in the other operating expenses are:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-executive directors' fees#				
- the Company				
- current year provision	706	488	706	488
- subsidiaries				
- current year provision	55	82	-	-
Rental of land and buildings	33,146	26,504	-	-
Lease rental and hire charges	19,640	12,794	-	-
Legal fees paid to:				
- Lee Hishammuddin Allen & Gledhill*	112	522	25	-
- Others	2,365	675	-	-
Research and development	121	781	-	-
Auditors' remuneration:				
Statutory audit				
- Company's auditors	1,822	1,193	100	100
- non-principal auditors	892	562	-	-
Other services				
- Company's auditors	1,631	252	-	-
Writeback of provision for impairment of assets	-	(16,621)	-	-
Provision for doubtful debts	2,761	4,783	-	-
Royalty	3,165	2,600	-	-
Loss on disposal of investment	465	80	-	-
Property, plant and equipment written off	350	915	-	-
Impairment losses of:				
- leased assets	1,296	1,162	-	-
- other investments	36,621	-	-	-
- property, plant and equipment	2,951	2,010	-	-
Amortisation of product development expenditure	426	1,449	-	-
Loss on disposal of property, plant and equipment	334	456	-	-
Net loss on foreign exchange				
- unrealised	21,136	-	-	-
Provision for warranty, net of reversals	30,335	20,183	-	-

* Lee Hishammuddin Allen & Gledhill is a legal firm of which Dato' Thomas Mun Lung Lee, a director of the Company, is a partner.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

25. OTHER OPERATING EXPENSES (CONT'D.)

Details of the directors' fees and benefits-in-kind paid to the Company's directors are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors' fees:				
Tan Sri Datuk Asmat bin Kamaludin	162	109	158	105
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	88	76	77	54
Tan Sri Dato' Mohamed Noordin bin Hassan	97	75	87	61
Lt. Gen. (R) Dato' Mohd. Yusof bin Din	-	43	-	36
Dato' Ir. Lee Yee Cheong	97	74	86	62
Dato' Haji Darwis bin Mohd. Daid	82	61	77	53
Dato' Thomas Mun Lung Lee	41	57	39	52
Md. Yusof bin Hussin	47	72	43	62
Dr. Leong Chik Weng	87	5	79	5
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	29	-	29	-
Mohd Nizam bin Zainordin	31	-	31	-

	Group	
	2008 RM'000	2007 RM'000
Benefits-in-kind:		
Non-executive director		
Tan Sri Datuk Asmat bin Kamaludin	115	101

The number of directors of the Company whose total remuneration falls within the respective bands is as follows:

	Group		Company	
	2008	2007	2008	2007
Executive director:				
RM1,500,001 - RM2,000,000	1	1	-	-
Non-executive directors:				
Up to RM50,000	4	2	4	2
RM50,001 - RM100,000	5	6	5	6
RM100,001 - RM150,000	-	1	-	1
RM150,001 - RM200,000	1	-	1	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

26. FINANCE COSTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest expense				
- Bank borrowings	45,601	35,104	-	-
- Others	2,538	201	-	-
	48,139	35,305	-	-

27. INCOME TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income tax:				
Malaysian taxes	290,719	170,834	114	167,261
Overseas taxes	26,977	27,032	-	-
	317,696	197,866	114	167,261
(Over)/under provision in prior years	(316)	(2,569)	(1,535)	51
	317,380	195,297	(1,421)	167,312
Deferred taxation (Note 18):				
Relating to origination and reversal of temporary differences	9,844	(13,169)	-	-
Relating to reduction/increase in tax rates	628	531	-	-
Over provision in prior years	(6,980)	(5,693)	-	-
	3,492	(18,331)	-	-
	320,872	176,966	(1,421)	167,312

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

27. INCOME TAX EXPENSE (CONT'D.)

Reconciliations of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2008 RM'000	2007 RM'000
Group		
Profit before taxation	1,276,685	856,276
Taxation at Malaysian statutory rate of 26% (2007: 27%)	331,938	231,195
Effect of different tax rates in other countries	(5,707)	(12,355)
Tax incentives	(64)	(1,020)
Effect of changes in tax rates on deferred tax opening balance	227	(405)
Income not subject to tax	(29,271)	(23,414)
Expenses not deductible for tax purposes	64,878	24,472
Utilisation of reinvestment allowances	(602)	(585)
Utilisation of previously unrecognised tax losses	(2,072)	(1,790)
Utilisation of previously unrecognised capital allowance	(1,930)	-
Deferred tax assets recognised	(1,789)	(428)
Deferred tax assets not recognised	19,752	13,748
Overprovision of deferred tax in prior year	(6,980)	(5,693)
Overprovision of income tax expense	(316)	(2,569)
Effect of share of profits of associated companies	(47,192)	(44,190)
Tax expense for the year	320,872	176,966
Company		
Profit before taxation	33,676	673,222
Taxation at Malaysian statutory rate of 26% (2007: 27%)	8,756	181,770
Income not subject to tax	(9,250)	(14,891)
Expenses not deductible for tax purposes	608	382
(Over)/under provision of income tax expense in prior year	(1,535)	51
	(1,421)	167,312
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	2,185	3,755
Utilisation of tax losses brought forward from previous years	17	-
Unutilised tax losses carried forward	188,274	167,137

In the past, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system") with effect from 1 January 2008. However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under a system known as Limited (Transitional) Imputation System and will automatically move to the single tier system when the Section 108 balance has been fully exhausted or on 1 January 2014 even though Section 108 balance has not been exhausted by 31 December 2013. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

27. INCOME TAX EXPENSE (CONT'D.)

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company will utilise the credit in the Section 108 account as at 31 December 2008 of RM36,786,000 (2007 : RM137,057,000) to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2008, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

28. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2008	2007
Net profit attributable to shareholders (RM'000)	565,838	469,147
Weighted average number of ordinary shares of RM0.50 in issue ('000)	1,082,453	1,051,544
Basic earnings per share of RM0.50 (sen)	52.3	44.6

(b) Diluted

Diluted earnings per share of RM0.50 is calculated by dividing the adjusted net profit attributable to shareholders by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The dilutive potential ordinary shares of the Group comprises the employees' share option. The basis for the maximum number of ordinary shares to be issued upon the exercise of share options granted, the latest date for exercise and exercise price are disclosed in Note 14(d).

	Group	
	2008	2007
Net profit attributable to shareholders (RM'000)	565,838	469,147
Weighted average number of ordinary shares of RM0.50 in issue ('000)	1,082,453	1,051,544
Adjusted for:		
Assumed shares issued from the exercise of options at no consideration ('000)	18,157	13,652
	1,100,610	1,065,196
Diluted earnings per share (sen)	51.4	44.0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2008

28. EARNINGS PER SHARE (CONT'D.)

The fair value of the shares in respect of the assumed exercise of options of RM6.15 (2007: RM5.915) for the year 2008 was determined based on the average weighted market value of the shares traded during the year. The difference between the number of shares issued via the exercise of options and the number of shares that would have been issued at RM6.15 (2007: RM5.915) was assumed as issue of shares at no consideration.

29. DIVIDENDS

	Amount		Net Dividend Per Share RM0.50	
	2008 RM'000	2007 RM'000	2008 Sen	2007 Sen
Paid:				
In respect of the financial year ended 31 December 2006				
- Special interim dividend of 10.0% less 27% taxation	-	37,988	-	3.7
- Final dividend of 13.5% less 27% taxation	-	51,907	-	4.9
In respect of the financial year ended 31 December 2007				
- 1st interim dividend of 20.0% less 27% taxation	-	78,292	-	7.3
- 2nd interim dividend of 12.0% less 26% taxation	-	47,811	-	4.4
- Final dividend of 28.0% less 26% taxation	112,082	-	10.4	-
In respect of the financial year ended 31 December 2008				
- 1st interim dividend of 30.0% less 26% taxation	120,813	-	11.1	-
	232,895	215,998	21.5	20.3
Payable:				
In respect of the financial year ended 31 December 2008				
- 2nd interim dividend of 20.0% less 25% taxation	82,063	-	7.5	-
	314,958	215,998	29.0	20.3

At the forthcoming Annual General Meeting of the Company, a final dividend in respect of the current financial year comprising 6.5% or 3.25 sen per share of RM0.50 each less 25% income tax and a single-tier dividend of 8.75 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM123.0 million (2007: 14.0 sen per share of RM0.50 each less 26% income tax, amounting to RM112.1 million net dividend) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. The proposed dividend, if approved by shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2009.

30. COMMITMENTS

(a) Capital Commitments

	Group	
	2008 RM'000	2007 RM'000
Approved and contracted for:		
- land and buildings	117,187	37,412
- equipment, plant and machinery	416,456	172,264
- others	32,662	13,735
	566,305	223,411
Authorised but not contracted for:		
- land and buildings	70,250	20,840
- equipment, plant and machinery	157,685	79,175
- others	56,410	34,241
	284,345	134,256
Total capital commitments	850,650	357,667

(b) Commitments Under Non-Cancellable Operating Leases

Amount payable within 1 year	1,576	1,745
Amount payable later than 1 year but not more than 2 years	2,880	1,428
Amount payable later than 2 years but not more than 5 years	6,427	3,350
Amount payable after 5 years	36,096	37,210

(c) Contingent Liabilities

Unsecured

Bank guarantee issued to third parties	86,702	38,059
Performance guarantee issued to third parties	118,330	-
Letter of credit issued	12,402	-
Corporate guarantee issued to:		
- third parties	51,877	43,468
- others	-	4,130
	269,311	85,657

31. SEGMENT REPORTING

(a) Business Segments

2008

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE							
External sales	10,025,969	1,492,642	458,927	745,666	46,377	-	12,769,581
Inter-segment sales	5,854	43,750	31,086	-	14,301	(94,991)	-
Total revenue	10,031,823	1,536,392	490,013	745,666	60,678	(94,991)	12,769,581
RESULTS							
Segment results	1,002,020	152,666	26,509	26,227	(57,005)	-	1,150,417
Unallocated corporate expenses							(76,766)
Profit from operations							1,073,651
Finance cost							(48,139)
Investment income							51,351
Share of results from associated companies	112,910	-	1,448	84,750	714	-	199,822
Income tax expense							(320,872)
Profit after taxation							955,813
Minority interests							(389,975)
Net profit for the year							565,838

31. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2008 (Cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Consolidated RM'000
ASSETS AND LIABILITIES						
Segment assets	2,933,365	968,899	405,037	1,642,321	118,242	6,067,864
Investment in associated companies	705,058	-	11,602	718,196	33,265	1,468,121
Tax assets	12,809	4,778	504	4,821	2,633	25,545
Other assets	3,600	24	-	17,078	65,591	86,293
Unallocated corporate assets	-	-	-	-	180,218	180,218
Consolidated total assets						<u>7,828,041</u>
Segment liabilities	956,614	257,539	81,870	366,253	43,654	1,705,930
Tax liabilities	80,557	45,782	3,353	8,201	530	138,423
Other liabilities	-	149,795	37,522	1,052,159	12,075	1,251,551
Unallocated corporate liabilities	-	-	-	-	126,717	126,717
Consolidated total liabilities						<u>3,222,621</u>
OTHER INFORMATION						
Capital expenditure	76,813	122,377	22,881	401,735	5,704	629,510
Depreciation	92,150	58,270	8,971	27,172	7,940	194,503
Amortisation of intangible assets and impairment loss	-	1,296	360	2,983	34	4,673
Other non-cash expenses	48,523	8,680	6,746	57,364	9,969	131,282

31. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2007

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE							
External sales	7,731,834	1,344,967	352,316	501,423	45,611	-	9,976,151
Inter-segment sales	6,671	23,556	35,693	-	11,656	(77,576)	-
Total revenue	7,738,505	1,368,523	388,009	501,423	57,267	(77,576)	9,976,151
RESULTS							
Segment results	487,064	138,208	24,068	29,281	(25,125)	-	653,496
Unallocated corporate expenses							(23,228)
Profit from operations							630,268
Finance cost							(35,305)
Investment income							53,807
Share of results from associated companies	119,647	-	1,841	85,376	642	-	207,506
Income tax expense							(176,966)
Profit after taxation							679,310
Minority interests							(210,163)
Net profit for the year							469,147

31. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2007 (Cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Consolidated RM'000
ASSETS AND LIABILITIES						
Segment assets	2,502,399	806,945	236,393	1,070,772	127,386	4,743,895
Investment in associated companies	642,315	-	10,524	478,764	32,551	1,164,154
Tax assets	18,909	1,845	328	3,736	2,402	27,220
Other assets	3,600	2,881	18,672	50,739	22,235	98,127
Unallocated corporate assets	-	-	-	-	457,749	457,749
Consolidated total assets						<u>6,491,145</u>
Segment liabilities	967,679	251,277	76,496	234,960	36,511	1,566,923
Tax liabilities	69,210	33,352	1,500	12,256	1,476	117,794
Other liabilities	-	116,879	2,812	600,557	15,950	736,198
Unallocated corporate liabilities	-	-	-	-	61,686	61,686
Consolidated total liabilities						<u>2,482,601</u>
OTHER INFORMATION						
Capital expenditure	252,392	106,567	22,234	105,845	13,271	500,309
Depreciation	97,605	49,834	13,422	15,526	8,339	184,726
Amortisation of intangible assets and impairment loss	-	1,162	2,010	-	-	3,172
Other non-cash expenses	23,054	(833)	10,501	565	1,661	34,948

31. SEGMENT REPORTING (CONT'D.)

(b) Geographical Segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
2008			
Total revenue from external customers	11,793,804	975,777	12,769,581
Profit from operations	994,206	79,445	1,073,651
Segment assets	4,677,341	1,390,523	6,067,864
Capital expenditure	301,620	327,890	629,510
2007			
Total revenue from external customers	9,245,688	730,463	9,976,151
Profit from operations	532,563	97,705	630,268
Segment assets	3,914,730	829,165	4,743,895
Capital expenditure	364,216	136,093	500,309

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

32. SUBSIDIARIES

(i) The following are the subsidiaries of the Company:

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
Subsidiaries of the Company Incorporated in Malaysia			
UMW Corporation Sdn. Bhd.	100	100	Provision of full corporate, administrative, professional, security services and financial support to its subsidiaries and associated companies. In addition, the subsidiary also trades in a range of light and heavy equipment.
UMW Petropipe (L) Ltd.	100	100	Investment holding.
UMW Australia Ventures (L) Ltd.	100	-	Investment holding.
UMW Malaysian Ventures Sdn. Bhd.	100	-	Investment holding.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
Subsidiaries of the Company Incorporated in Malaysia (Cont'd.)			
UMW Oil & Gas Berhad	100	-	Investment holding.
Subsidiaries of UMW Corporation Sdn. Bhd., UMW Petropipe (L) Ltd.			
(a) Subsidiaries Incorporated in Malaysia			
UMW Industries (1985) Sdn. Bhd.	100	100	Distribution of industrial and material handling equipment and related spares.
UMW (East Malaysia) Sdn. Bhd.	100	100	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
UMW (Sarawak) Sdn. Bhd.	100	100	Dormant.
UMW Equipment Sdn. Bhd.	100	100	Distribution of industrial and heavy equipment and related spares in Peninsular Malaysia.
UMW Advantech Sdn. Bhd.	100	100	Assembly of heavy equipment, manufacture of transportation equipment as well as related components and attachments and rebuilding and repair of such equipment.
UMW Industrial Power Sdn. Bhd.	100	100	Distribution of industrial and power equipment and related parts.
UMW Offshore Investment (L) Ltd.	100	100	Investment holding.
UMW Linepipe (L) Ltd.	51	51	Investment holding.
UMW Drilling Co. Ltd.	100	100	Leasing of oil and gas assets including hydraulic workover units and semi-submersible drilling rigs.

32 SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
UMW Oilfield International (L) Ltd.	60	60	Supply of oil and gas products and services and investment holding.
UMW Oilpipe Services (Turkmenistan) Ltd.	51	51	Provision of tubular inspection, repair and maintenance activities.
UMW China Ventures (L) Ltd.	100	100	Investment holding.
U-Insurance Sdn. Bhd. (Formerly known as UMW Insurance Services Sdn. Bhd.)	100	100	Insurance agency services.
UMW Autocorp Sdn. Bhd.	100	100	Investment holding.
Kelang Pembena Kereta2 Sendirian Berhad	100	100	Dormant.
KPKK Realty Sdn. Bhd.	100	100	Investment in real properties.
UMW Equipment Rental Services Sdn. Bhd.	100	100	Dormant.
UMW Kentruck Sdn. Bhd.	100	100	Investment and holding of real property.
U-TravelWide Sdn. Bhd. (Formerly known as UMW Travel Sdn. Bhd.)	100	100	Provision of travel agency services.
UMW Aero Industries Sdn. Bhd.	100	100	Investment and holding of real property.
Tracpart Centre Sdn. Bhd.	100	100	Investment and holding of real property.
U E-Technologies Sdn. Bhd. (Formerly known as UMW E-Technologies Sdn. Bhd.)	100	100	Provision of information technology services.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
Otomobil Sejahtera Sdn. Bhd.	100	100	Importing CBU vehicles and acting as a dealer for UMW Toyota Motor Sdn. Bhd.
UMW Auto Parts Sdn. Bhd.	100	100	Investment holding.
UMW Vehicle Components Sdn. Bhd.	100	100	Dormant.
UMW Fabritech Sdn. Bhd. (Formerly known as UMW Coating Technologies Sdn. Bhd.)	70	100	Providing sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipment and tubes.
UMW Oilfield International (M) Sdn. Bhd.	100	100	Supply of oil and gas products and services.
Lubetech Sdn. Bhd.	70	70	Blending and packaging of "Pennzoil" and other branded lubricants.
UMW Petrodril (Malaysia) Sdn. Bhd.	99	99	Provision of workover operations for the Oil and Gas Industry.
UMW JDC Drilling Sdn. Bhd.	85	85	Provision of drilling operations for the Oil and Gas Industry.
Inobel Sdn. Bhd.	100	100	Marketing and rendering of information technology services.
KYB-UMW Steering Malaysia Sdn. Bhd.	52.1	52.1	Manufacture and assembly of power steering pumps.
KYB-UMW Malaysia Sdn. Bhd.	52.1	52.1	Manufacture and assembly of vehicle shock absorbers.
UMW-PNSB Development Sdn. Bhd.	51	51	Investment holding and property development.
UMW Technology Management Sdn. Bhd.	51	51	Investment and holding of real property.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
UMW Management Systems Sdn. Bhd.	51	51	Investment and holding of real property.
UMW Properties Sdn. Bhd.	51	51	Investment and holding of real property.
UMW Bumi Hijau Sdn. Bhd.	51	51	Investment and holding of real property.
UMW Bumi Indah Sdn. Bhd.	51	51	Investment and holding of real property.
UMW Toyota Motor Sdn. Bhd.	51	51	Investment holding and importation and distribution of Toyota vehicles and related spares.
Assembly Services Sdn. Bhd.	51	51	Assembly of vehicles, manufacturing of engines and fitting of accessories.
Automotive Industries Sendirian Berhad	51	51	Manufacture of vehicle exhaust systems and kangaroo bars.
Seat Industries (Malaysia) Sdn. Bhd.	51	51	Manufacture of vehicle seats. The company has ceased operations.
Toyota Boshoku UMW Sdn. Bhd.	33.15	33.15	Manufacture of seats, interior and exterior parts and other parts for cars and other vehicles.
UMW Oilpipe Services Sdn. Bhd.	100	81	Provision of threading and repair services for oil country tubular goods.
Cladtek (Malaysia) Sdn. Bhd.	60	60	Dormant.
UMW Naga Two (L) Ltd.	100	100	Investment holding.
UMW Naga Three (L) Ltd.	100	100	Investment holding.
UMW India Ventures (L) Ltd.	65	65	Investment holding.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
UMW Sher (L) Ltd.	39	65	Provide contract drilling and engineering services for the Oil and Gas Industry and leasing of drilling rigs and vessels.
UMW Standard Drilling Sdn. Bhd.	85	85	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.
Coldfusion Engineering Sdn. Bhd.	60	-	Provide complete turnkey solutions of Low Temperature Co-Fired Ceramic and Thick Film Technology products for the global electronic industry.
MK Autocomponents Limited	51	-	Investment holding.
(b) Subsidiaries Incorporated in Singapore			
UMW Equipment & Engineering Pte. Ltd.	100	100	Importation, distribution, repair, maintenance and service of all types of industrial and heavy equipment, automotive parts and related spares in Singapore.
UMW Equipment Systems Pte. Ltd.	100	100	Investment holding.
Vina Offshore Holdings Pte. Ltd.*	70	70	Investment holding.
PFP Singapore Pte. Ltd.*	45	45	Sale of piping materials.
Offshore Fabrication Pte. Ltd.*	70	70	Fabrication of oil and gas steel structures.
Helmsion Engineering Pte. Ltd.*	42	42	Manufacture of industrial cranes and related products and services.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(b) Subsidiaries Incorporated in Singapore (Cont'd.)			
Offshore Construction Services Pte. Ltd.	52.5	-	Shipbuilding, repairing, marine construction and offshore equipment.
(c) Subsidiary Incorporated in Papua New Guinea			
UMW Niugini Limited*	94.4	94.4	Distribution of heavy equipment and related spares.
(d) Subsidiary Incorporated in Solomon Islands			
UMW Solomon Islands Limited*	85	85	Distribution of heavy equipment and related spares.
(e) Subsidiaries Incorporated in People's Republic of China			
UMW Oilfield Services (Tianjin) Co., Limited	100	100	Provision of repair services for oil country tubular goods.
UMW Industrial Trading (Shanghai) Co., Ltd.	100	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
UMW Industrial Equipment (Shanghai) Co., Ltd.	100	100	Provision of after-sales and repair services for equipment.
Vision Fleet Equipment Leasing (Shanghai) Co., Ltd.	100	100	Rental and fleet management services mainly for products distributed by the UMW Group of China.
PPF (Shenzhen) Piping Materials Co., Ltd.*	45	45	Import and export of piping materials.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(e) Subsidiaries Incorporated in People's Republic of China (Cont'd.)			
UMW Coating Technologies (Tianjin) Co., Ltd.	100	100	Provision of oil and gas related equipment and pipe coating services.
UMW Oilfield Commerce Beijing Co., Ltd.	60	-	Marketing, importation, exportation, distribution of equipment and component parts, and provision of technical support, consultancy services and general services related to the Oil and Gas Industry.
(f) Subsidiaries Incorporated in Thailand			
UMW Auto Parts (Thailand) Co., Ltd.*	100	100	Manufacture of natural fibre composite material for automotive interior trim production.
UOT (Thailand) Limited	58.8	47.6	Provision of repair services for oil country tubular goods.
(g) Subsidiaries Incorporated in Republic of Vietnam			
Vietnam Offshore Fabrication & Engineering Co., Ltd.*	70	70	Fabrication of oil and gas steel structures, and provision of offshore maintenance, hook-up and commissioning services.
UMW Equipment Systems (Vietnam) Company Limited*	100	100	Provision of service for equipment installation, maintenance, repair, overhaul and lease of equipment in industrial, construction and traffic sectors.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(h) Subsidiaries Incorporated in Myanmar			
UMW Machinery Limited*#	100	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited*#	100	100	Provision of after-sales services for equipment and maintenance and repair of equipment.
(i) Subsidiary Incorporated in British Virgin Islands			
UMW ACE (BVI) Ltd.	60	60	Investment holding.
(j) Subsidiaries Incorporated in Australia			
PFP Holdings Pty. Ltd.	60	60	Investment holding.
PFP Tech Holdings Pty. Ltd.	60	60	Investment holding.
PFP Technologies Pty. Ltd.	60	60	Manufacture of computerised machineries.
PFP (Aust) Holdings Pty. Ltd.	60	60	Investment holding.
PFP (Int) Holdings Pty. Ltd.	60	60	Dormant.
PFP (Aust) Pty. Ltd.	60	60	Stockist and sales of pipes and fittings to the Oil and Gas Industry.
Cladtek International Pty. Ltd.	51	51	Manufacture of cladded pipe for the Oil and Gas Industry.

32. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(k) Subsidiaries Incorporated in India			
Multicoat Coating Technologies Private Limited*#	51	51	Manufacture, produce, process, formulate and undertake research and development of refractory coatings, ceramic coatings, functional coatings, high emissivity coatings, nano coatings, new generation coatings and all types of advanced ceramic, composite and polymeric coatings.
Sathya Auto Private Limited*#	51	-	Manufacture of mechanical jacks, radiator caps and sheet metal components.
Castwel Autoparts Private Limited*#	51	-	Manufacture of aluminium gravity/pressure die casting, aluminium alloys and machine components.
Jaybee Drilling (P) Ltd.*#	39	-	Onshore drilling activities in India.
(l) Subsidiaries Incorporated in Republic of Indonesia			
PT Cladtek Bi Metal Manufacturing*	51.45	51.45	Pipe cladding.
PT Cladtek International*	57	57	Manufacture of bi-metal pipes.
(m) Subsidiary Incorporated in Taiwan			
PFP Taiwan Co., Ltd.*	45	45	Wholesale of metal building materials and international trade.

* Subsidiaries audited by firms of Chartered Accountants other than Ernst & Young.

The financial year end of the above subsidiaries is 31 March.

32. SUBSIDIARIES (CONT'D.)

- (ii) The following companies, which are under members' voluntary liquidation/deregistration in which the Company has an equity interest of more than 50% are not consolidated as the Company no longer has the power to exercise control over the financial and operating policies.

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Subsidiary Incorporated in Brunei			
UMW Orient Sdn. Berhad	100	100	Distribution of industrial and heavy equipment and related spares in Brunei. The company has ceased operations.
(b) Subsidiary Incorporated in the Philippines			
UMW Industries (Philippines) Inc.	100	100	Importation and distribution of industrial and material handling equipment and related spares, and the provision of servicing and repair services for such equipment. The company has ceased operations.

33. JOINTLY CONTROLLED ENTITIES

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Jointly Controlled Entity Incorporated in Malaysia			
MK Automotive Industries Limited	50	-	Investment holding.
(b) Jointly Controlled Entities Incorporated in Singapore			
UMW Standard 1 Pte. Ltd.	51	51	Ownership, construction and operation of drilling rigs and related activities.

33. JOINTLY CONTROLLED ENTITIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(b) Jointly Controlled Entities Incorporated in Singapore (Cont'd.)			
UMW Standard 3 Pte. Ltd.	51	-	Ownership, construction and operation of drilling rigs and related activities.
Tubulars International Pte. Ltd.*	30	-	Investment holding.
(c) Jointly Controlled Entity Incorporated in Hong Kong			
Lubritech International (Holdings) Limited	60	-	Investment holding.
(d) Jointly Controlled Entities Incorporated in India			
United Seamless Tubulaar Private Limited*#	32.5	32.5	Manufacturing of seamless tubular green pipes.
Dongshin Motech Private Limited*#	25	-	Original equipment manufacturer of stamped automotive upper body parts.

Other than United Seamless Tubulaar Private Limited and Dongshin Motech Private Limited, whose financial year end is 31 March, the financial year end of all the above jointly controlled entities is 31 December.

* Audited by firms of Chartered Accountants other than Ernst & Young.

The financial year end of the above jointly controlled entities is 31 March.

34. ASSOCIATED COMPANIES

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Associated Companies Incorporated in Malaysia			
Rail-Tech Industries Sdn. Bhd.	50	50	Manufacture, repair and service of rolling stock. The company has ceased operations.
Perusahaan Otomobil Kedua Sdn. Bhd.	38	38	Investment holding and provision of management and administrative services.
Perodua Sales Sdn. Bhd.	38	38	Marketing and distribution of motor vehicles, related spare parts and other related activities.
Perodua Casting Sdn. Bhd.	38	38	Dormant.
Perodua Forging Sdn. Bhd.	38	38	Dormant.
Perodua Travel Sdn. Bhd.	38	38	Dormant.
Perodua Tool and Die Sdn. Bhd.	38	38	Dormant.
Strategic Auto Sdn. Bhd. (Formerly known as Perodua Research and Development Sdn. Bhd.)	11.4	38	Importers and distributors of motor vehicles and spare parts, provision of after-sales services and other related activities.
Perodua Technologies Sdn. Bhd.	38	38	Dormant.
Perodua Components Sdn. Bhd.	38	38	Dormant.
Perodua Stamping Sdn. Bhd.	38	38	Dormant.
Perodua Manufacturing Sdn. Bhd.	28	28	Manufacture and assembly of motor vehicles and other related activities.
Perodua Engine Manufacturing Sdn. Bhd.	28	28	Manufacture and distribution of component parts, including engines, couplings and transmission components.

34. ASSOCIATED COMPANIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(a) Associated Companies Incorporated in Malaysia (Cont'd.)			
Perodua Auto Corporation Sdn. Bhd.	18.6	18.6	Investment holding and provision of management and administrative services.
UMW Toyotsu Motors Sdn. Bhd.	30	30	Sales and after-sales services of Toyota brand of motor vehicles, parts and other relevant products.
Toyota Capital Malaysia Sdn. Bhd. (Formerly known as UMW Toyota Capital Sdn. Bhd.)	30	30	Hire purchase financing, factoring and trade confirming.
Toyota Capital Acceptance Malaysia Sdn. Bhd. (Formerly known as Seabanc Acceptance Sdn. Bhd.)	30	30	Hire purchase financing, debt factoring and money lending.
Seabanc Kredit Sdn. Bhd.	30	30	Hire purchase financing, leasing and debt factoring.
Toyota Lease Malaysia Sdn. Bhd.	30	30	Provision of lease financing.
PFP (Malaysia) Sdn. Bhd.	24	24	Supply of materials to the marine process and petro-chemical industries.
Arcus Malaysia Sdn. Bhd.	24	24	Trading in stainless steel pipes, flanges and fittings.
UMW Pennzoil Distributors Sdn. Bhd.	50	50	Marketing, selling and distribution of "Pennzoil" branded lubricants.
Lada Motors Sendirian Berhad	40	40	Dormant.

34. ASSOCIATED COMPANIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(b) Associated Companies Incorporated in People's Republic of China			
Shanghai Tube-Cote Petroleum Pipe Coating Co.,Ltd.	40	40	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Zhongyou BSS (Qinhuangdao) Petropipe Co.,Ltd.	29.4	29.4	Manufacturing and marketing of Longitudinal Submerged Arc Welded (LSAW) steel pipes for oil and gas transmission lines and structural pipe for oil and gas applications; and internal gas applications; and internal services.
Shanghai BSW Petro-pipe Co., Ltd.	25	25	Manufacture of spiral welded pipes for the Oil and Gas Industry.
Jiangsu Tube-Cote Shuguang Coating Co.,Ltd.	20	20	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Wuxi Seamless Oil Pipe Co., Ltd.	22.3	22.95	Design and manufacture of seamless OCTG and line pipes for the Oil and Gas Industry.
(c) Associated Company Incorporated in India			
Multicoat Surfaces Pvt.Ltd.	22.5	22.5	Undertake research in the field of new generation coatings and solutions.
(d) Associated Company Incorporated in Thailand			
Oil-Tex (Thailand) Company Limited	20	16.2	Provision of logistic services for the Oil and Gas Industry.

34. ASSOCIATED COMPANIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2008 %	2007 %	
(e) Associated Company Incorporated in British Virgin Islands			
First Space Holdings Limited	22.3	22.95	Investment holding.
(f) Associated Company Incorporated in the Cayman Islands			
WSP Holdings Limited	22.3	22.95	Investment holding.
(g) Associated Company Incorporated in Brunei Darussalam			
Premium Tubular Services Sdn. Bhd.	50	40.5	Under liquidation.

Other than UMW Toyotsu Motors Sdn. Bhd., Toyota Capital Malaysia Sdn. Bhd. (Formerly known as UMW Toyota Capital Sdn. Bhd.) and its subsidiaries whose financial year end is 31 March, and Oil-Tex (Thailand) Company Limited whose financial year end is 30 June, the financial year end of all of the above associated companies is 31 December.

35. SIGNIFICANT EVENTS

- (a) On 30 January 2008, UMW Petropipe (L) Ltd. ("UMW Petropipe"), together with Vina Offshore Holdings Pte. Ltd. ("VINA"), a 70%-owned subsidiary of UMW Petropipe, entered into a Sale and Purchase Agreement ("SPA") with Neo Teck Seng and Goh Mary for the acquisition of 175,000 ordinary shares by UMW Petropipe and 125,000 ordinary shares by VINA, representing 35% and 25%, respectively, of the issued and paid-up share capital of Offshore Construction Services Pte. Ltd. ("OCS"), a company incorporated in Singapore, for a total cash consideration of SGD5.6 million (equivalent to approximately RM12.77 million) and SGD4 million (equivalent to approximately RM9.12 million), respectively. OCS became a 52.5%-owned subsidiary of UMW upon completion of the transaction.
- (b) On 28 February 2008, the Company announced a proposed listing exercise involving a number of its Oil and Gas corporations currently held by its two (2) wholly-owned subsidiaries, UMW Corporation Sdn. Bhd. and UMW Petropipe (L) Ltd. ("Proposed Listing"). The listing exercise on the Main Board of Bursa Securities was to be effected via an investment holding company, known as UMW Oil & Gas Berhad. An application for the proposed listing was submitted to the Securities Commission on 3 March 2008 and approval was obtained on 31 March 2008.

The Securities Commission had granted the Company an extension of time up to 31 March 2009 to implement the proposed listing. In view of the current economic and financial conditions, the Company is not planning to implement the proposed listing within the period of extension. However, the Company still intends to carry out the listing proposal when market conditions show sustained levels of improvement.

35. SIGNIFICANT EVENTS (CONT'D.)

- (c) On 22 April 2008, UMW India Ventures (L) Ltd. ("UMWIV"), a 65%-owned subsidiary in the UMW Group, entered into a Share Sale Agreement with Jogen N. Buragohain ("Jogen") for the acquisition of 30,000 ordinary shares of INR100 each, representing 60% of the issued and paid-up share capital of Jaybee Drilling (P) Ltd. ("Jaybee") from Jogen and his associates, for a total cash consideration of USD1,894,566 (equivalent to approximately RM6,024,720). UMW has 39% effective interest in Jaybee upon completion of the acquisition.

On the same day, UMWIV also entered into a Share Subscription Agreement with its wholly-owned subsidiary, UMW Sher (L) Ltd. ("UMW Sher") and Jogen, for the subscription in stages by Jogen and/or his nominees for up to 2,000,000 ordinary shares of USD1.00 each, representing 40% of the eventual enlarged issued and paid-up capital of UMW Sher for a total consideration of USD2,000,000. Upon completion of the transaction, UMW's effective equity interest in UMW Sher will be diluted from 65% to 39%.

- (d) On 22 April 2008, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Company, entered into two separate Share Sale Agreements with Dato' Muthukumar a/l Ayarpadde ("DMK") for the acquisition of:
- (i) 1,114,078 ordinary shares of USD1.00 each, representing 51% of the issued and paid-up share capital of MK Autocomponents Limited ("MKAL") for a total cash consideration of USD22.521 million (equivalent to approximately RM71.62 million); and
 - (ii) 970,993 ordinary shares of USD1.00 each, representing 50% of the issued and paid-up share capital of MK Automotive Industries Limited ("MKD") for a total cash consideration of USD970,993 (equivalent to approximately RM3.09 million).

MKAL and MKD became a 51%-owned subsidiary and a 50%-owned jointly controlled entity in the UMW Group, respectively upon completion of the acquisitions.

- (e) On 30 April 2008, UMWC entered into a Sale of Shares Agreement and a Joint Venture and Shareholders' Agreement with DKLS Oil & Gas Sdn. Bhd. (Formerly known as DKLS Homefields Sdn. Bhd.), a wholly-owned subsidiary of DKLS Industries Berhad, for the disposal of 3,000,000 ordinary shares of RM1.00 each, representing 30% of the total issued and paid-up share capital of UMW Fabritech Sdn. Bhd. (Formerly known as UMW Coating Technologies Sdn. Bhd.) ("UFSD"), a wholly-owned subsidiary of UMW, for a total cash consideration of RM1,000,000. UMW's interest in UFSD was diluted from 100% to 70% upon completion of the transaction.
- (f) On 6 May 2008, UMW incorporated a wholly-owned subsidiary known as UMW Australia Ventures (L) Ltd. ("UMW AV") in Wilayah Persekutuan Labuan. The authorised share capital is USD50,000,000 and the initial paid-up capital is USD1.00. The intended principal activity of UMW AV is investment holding.
- (g) On 22 May 2008, UMWC entered into a Sale and Purchase Agreement with SPTJ Development Sdn. Bhd. ("SPTJ") for the acquisition of 807,500 ordinary shares of RM1.00 each, representing 19% of the total issued and paid-up share capital in UMW Oilpipe Services Sdn. Bhd. ("UOS") from SPTJ, for a total cash consideration of RM7,978,100. UOS became a wholly-owned subsidiary of UMW upon completion of the acquisition.
- (h) On 28 May 2008, UMW Construction Sdn. Bhd., a dormant wholly-owned subsidiary in the UMW Group, was fully wound-up.

35. SIGNIFICANT EVENTS (CONT'D.)

- (i) On 5 June 2008, UMW Naga Two (L) Ltd., a wholly-owned subsidiary in the UMW Group, entered into a Share Purchase and Investment Agreement with Standard Drilling Far East Pte. Ltd. ("SDFE") and Standard 3 Pte. Ltd. ("SD3") for the acquisition of 51% equity interest in SD3 at a total cash consideration of USD40,785,000. SD3 became a 51%-owned jointly controlled entity in the UMW Group upon completion of the acquisition.
- (j) On 9 June 2008, UMW Oilfield International (L) Ltd., a 60%-owned subsidiary in the UMW Group, entered into a Sale and Purchase Agreement with Airtrust (Singapore) Pte. Limited ("Airtrust") for the acquisition from Airtrust of 50% of the issued and paid-up share capital in Tubulars International Pte. Ltd. ("TIPL"), a wholly-owned subsidiary of Airtrust, for a total cash consideration of SGD50,000 (equivalent to approximately RM119,250). TIPL became a 30%-owned jointly controlled entity in the UMW Group upon completion of the acquisition.
- (k) On 26 June 2008, Ulu Balung Estate Sdn. Bhd., a dormant wholly-owned subsidiary in the UMW Group, was fully wound-up.
- (l) On 7 July 2008, UMW Oilfield International (L) Ltd., a 60%-owned subsidiary in the UMW Group, received the certificate on the establishment of a new company known as UMW Oilfield Commerce Beijing Co., Ltd. ("UOCB") in Beijing, the People's Republic of China. The registered capital of UOCB is USD100,000.
- (m) On 10 October 2008, UMWC, a wholly-owned subsidiary of the Company, entered into a Joint Venture and Shareholders' Agreement with Dah Chong Hong (Motor Service Centre) Limited ("DCHMSC") for the establishment of a joint venture company in Hong Kong known as Lubritech International (Holdings) Limited ("LIHL") in the proportion of 60% UMWC and 40% DCHMSC to manufacture and process lubricants in the People's Republic of China ("PRC"). The eventual paid-up capital of LIHL would be HKD128 million and UMWC's 60% share of the total cost of investment would be HKD76.8 million. LIHL will subsequently register a company known as Lubritech China Limited in the PRC.

On 31 October 2008, UMWC received the certificate of incorporation of LIHL, a company registered in Hong Kong. UMWC's 60% share of LIHL's initial paid-up capital of HKD1 million is HKD600,000. The intended principal activity of LIHL is investment holding.
- (n) On 29 October 2008, UMWC, a wholly-owned subsidiary of the Company, entered into a Joint Venture and Shareholders' Agreement with Titanium Assets Holdings Sdn. Bhd., R. Remakantan a/l Ramachandran and Mohan Krishna a/l Kunanayagam, for the acquisition of 60,000 ordinary shares of par value RM1.00 each, representing 60% of the existing issued and paid-up share capital of Coldfusion Engineering Sdn. Bhd. ("CFE") for a cash consideration of RM2.36 million. The eventual paid-up capital of CFE would be RM6 million and UMWC will subscribe to 3,540,000 new ordinary shares of par value RM1.00 each at par for cash, representing 60% of the increase in paid-up capital.
- (o) On 7 November 2008, the Company acquired the entire issued and paid-up share capital of UMW Malaysian Ventures Sdn. Bhd. ("UMW MV"), comprising two ordinary shares of RM1.00 each, for a cash consideration of RM2.00. The intended business of UMW MV is investment holding.

35. SIGNIFICANT EVENTS (CONT'D.)

- (p) On 19 November 2008, UMW Petropipe (L) Ltd., a wholly-owned subsidiary of the Company, entered into two separate Share Purchase Agreements as detailed below:
- (i) With ACE Technologies (L) Ltd., for the acquisitions of 1,512 ordinary shares of USD1.00 each, representing 15.12% of the share capital in UMW Linepipe (L) Ltd. ("UMW Linepipe") for a cash consideration of USD4.322 million and 1,070,800 ordinary shares of USD1.00 each, representing 10% of the share capital in UMW ACE (BVI) Ltd. ("UMW ACE") for a cash consideration of USD21.682 million.
 - (ii) With ACE Tubular Technologies Pte. Ltd., for the acquisitions of 9% equity interest in Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. ("STPPC") and 4.44% equity interest in Jiangsu Tube-Cote Shuguang Coating Co., Ltd. ("JTSC") for a cash consideration of USD4.2 million and USD3.388 million, respectively.

Upon completion of the above acquisitions, UMW's effective interests in the four-mentioned companies will be as shown below:

UMW's Shareholding	Pre-Acquisition (%)	Post-Acquisition (%)
UMW Linepipe	51	66.12
UMW ACE	60	70
STPPC	40	49
JTSC	20	24.44

- (q) On 12 December 2008, UMW Petrodril (Malaysia) Sdn. Bhd. ("UMW Petrodril"), a 99%-owned subsidiary of UMW Corporation Sdn. Bhd., which is in turn wholly-owned by the Company, entered into a Joint Venture Agreement with Snubco Pressure Control International Ltd. ("Snubco International"), for the establishment of a joint venture company to be known as UMW Pressure Control Sdn. Bhd. ("UPC"), in the proportion of 51% UMW Petrodril and 49% Snubco International, to carry on the business of providing pressure control related services to the Oil & Gas Industry. The proposed paid-up capital of UPC is RM600,000.
- (r) On 23 December 2008, UMW through its wholly-owned subsidiaries, UMW Australia Ventures (L) Ltd. ("UMW AV") and UMW Petropipe (L) Ltd., entered into a Share Sale Agreement with Montague Holdings (Int) Pty. Ltd. ("MH") and Paul Anthony Montague ("Paul Montague"), to undertake an internal group restructuring exercise of its 60%-owned subsidiary, PFP Holdings Pty. Ltd. ("PFP Holdings") and its group of subsidiaries companies. The agreement involves the following:
- (i) the acquisition of 1,152 ordinary shares, representing 40% equity interest in PFP Holdings, by UMW AV from MH, for a total cash consideration of AUD8.0 million; and
 - (ii) the disposal of 51% effective interest in the Cladtek Group, comprising PFP Tech Holdings Pty. Ltd., Cladtek International Pty. Ltd., PFP Technologies Pty. Ltd., PT Cladtek Bi Metal Manufacturing, PT Cladtek International and Cladtek Malaysia Sdn. Bhd. to MH, for a nominal value of AUD1.00, upon full settlement of the loans granted by the UMW Group to the Cladtek Group and all financial obligations being fully discharged by 31 March 2009 or such extension of time as stipulated in the agreement. In the event any outstanding loans from the UMW Group to the Cladtek Group are not fully repaid or the financial obligations are not fully discharged, UMW AV will acquire 49% of the equity interest in the Cladtek Group from MH, for a nominal value of AUD1.00.

36. SUBSEQUENT EVENTS

- (a) On 13 January 2009, UMW Malaysian Ventures Sdn. Bhd., a wholly-owned subsidiary in the UMW Group, entered into a Sale And Purchase Agreement with Encik Azhari bin Ngadenan @ Adnan for the acquisition of 1,206,000 ordinary shares of RM1.00 each, representing 60% of the issued and paid-up share capital in Synergistic Generation Sdn. Bhd. ("SGSB") for a cash consideration of RM10 million. On completion of the acquisition, SGSB will be a 60%-owned subsidiary of UMW.
- (b) On 22 January 2009, Oil Country Tubular Ltd. ("OCTL"), a public company listed on the Bombay Stock Exchange and the National Stock Exchange (India), has been allotted 1,000,000 ordinary shares of par value INR10 each, representing 20% equity interest in United Seamless Tubulaar Private Limited ("USTPL") for a total cash consideration of INR200,000,000. USTPL is a 50%-owned jointly controlled entity of UMW India Ventures (L) Ltd. ("UMWIV"), which in turn is a 65%-owned subsidiary of UMW. UMWIV has 14.9% equity interest in OCTL. Consequent to the share allotment, UMWIV's direct interest in USTPL was diluted from 50% to 40%.
- (c) On 18 March 2009, UMW Pressure Control Sdn. Bhd. ("UMW Pressure Control") was incorporated. The authorised share capital of UMW Pressure Control is RM20,000,000 divided into 20,000,000 ordinary shares of par value RM1.00 each, of which 600,000 ordinary shares have been issued. UMW Petrodril Sdn. Bhd., a 99%-owned subsidiary of UMW owns 306,000 ordinary shares and Snubco Pressure Control International Ltd. owns the remaining 294,000 ordinary shares, representing 51% and 49% of the issued and paid-up share capital in UMW Pressure Control, respectively.
- (d) On 25 March 2009, UMW incorporated a wholly-owned subsidiary known as UMW Singapore Ventures Pte. Ltd. ("UMW SVPL") in the Republic of Singapore. The initial paid-up capital of UMW SVPL is SGD100,000 and the intended principal activity is investment holding.

37. SIGNIFICANT RELATED PARTY DISCLOSURES

Group

- (a) Transactions by UMW Holdings Berhad and its subsidiaries with the associated companies of the Group are as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2008 RM'000	2007 RM'000
UMW Industries (1985) Sdn. Bhd.))		Lease rental	6,063	5,697
KYB-UMW Malaysia Sdn. Bhd.) and its subsidiary))		Sale of shock absorbers	69,465	60,302
U-TravelWide Sdn. Bhd.) (Formerly known as) UMW Travel Sdn. Bhd.)))		Air tickets	13,507	8,782
UMW Toyota Motor Sdn. Bhd.) and subsidiaries))))	Perodua Group*	Sale of goods and services	473,164	520,169
		Purchase of goods and services	788,965	859,891
UMW Industrial Power Sdn. Bhd.)))		Sale of goods and services	2,640	3,491
UMW Advantech Sdn. Bhd.))		Sale of goods and services	19,100	14,479
UMW JDC Drilling Sdn. Bhd.	Japan Drilling Co., Ltd. and its subsidiaries	Purchase of goods and services	11,322	11,642
		Bare boat charter	13,490	32,327
Lubetech Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd.	Sale of goods and services	6,280	44,382
UMW Oilfield International (L) Ltd.	Wuxi Seamless Oil Pipe Co., Ltd.	Purchase of goods	-	75,661

* Comprises Perusahaan Otomobil Kedua Sdn. Bhd., its subsidiaries and associated companies.

The directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

- (b) Transactions by the Group with Toyota Motor Corporation, Japan (the corporate shareholder of UMW Toyota Motor Sdn. Bhd.) and its subsidiaries are as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2008 RM'000	2007 RM'000
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	Toyota Motor Corporation, Japan and its subsidiaries	Sale of goods and services	853,961	876,318
		Purchase of goods and services	2,468,343	2,263,233
	UMW Toyotsu Motors Sdn. Bhd.	Sale of goods	155,597	85,365
Otomobil Sejahtera Sdn. Bhd.	Toyota Motor Corporation, Japan and its subsidiaries	Purchase of goods and services	1,233,756	676,846

- (c) Transactions by the Group with the corporate shareholders of KYB-UMW Malaysia Sdn. Bhd. are as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2008 RM'000	2007 RM'000
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Kayaba Industry Co., Ltd., Japan and its subsidiaries	Sale of goods and services	17,123	25,679
		Purchase of goods and services	7,881	6,050
	Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	541	483
		Purchase of goods and services	42,128	39,510

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(d) Compensation of Key Management Personnel

	2008 RM'000	2007 RM'000
Salary and wages	12,071	9,714
Social security costs	1	1
Provision for unutilised leave	882	626
Pension costs - defined benefit plan	1,508	1,220
ESOS expense	3,100	1,029
Other staff related costs	1,626	1,050
	19,188	13,640

Compensation of key management personnel disclosed above include compensation to a director which was disclosed in Note 24.

38. FINANCIAL INSTRUMENTS

(a) Forward Exchange Contracts

As at 31 December 2008, the Group has entered into forward foreign exchange contracts to hedge purchases with the following notional amounts:

	2008 RM'000	2007 RM'000
Japanese Yen	8,316	93,170
US Dollar	419,240	25,523
Euro	41,283	2,367
Swedish Krone	2,550	5,270
Sterling Pound	-	528
Singapore Dollar	19,599	-
Thai Baht	1,196	-

All the forward exchange contracts mature within one year.

(b) Interest Rate Swap and Cross Currency Swap

As at 31 December 2008, a 50% jointly controlled entity of the Group in India had entered into the following contracts:

- (i) an interest rate swap with a notional principal of USD48 million that fixed the company's obligation to pay interest at a fixed rate of 7.04% per annum. The interest rate swap will mature on 30 September 2015.
- (ii) a cross currency swap that entitles the Company to convert JPY3,425 million to INR1,405.6 million and fixed the company's obligation to pay interest at a fixed rate of 9.35% per annum. The cross currency swap will mature on 31 March 2020.

38. FINANCIAL INSTRUMENTS

(c) Fair Values

- (i) The aggregate net fair value of financial liabilities which are not carried at fair value on the balance sheets of the Group are represented as follows:

	Group		Group	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2008	2008	2007	2007
	RM'000	RM'000	RM'000	RM'000
Financial Liabilities				
Finance lease payable	2,542	2,542	2,005	2,005

It is not practicable to determine the fair values of balances due from subsidiaries principally due to lack of fixed repayment terms.

The fair value of the borrowings is not materially different from the carrying value as the effective cost of funds is estimated not to differ from the current market rate.

The carrying values of all other financial assets and liabilities as at 31 December 2008 are not materially different from their fair values.

- (ii) The nominal/notional amount and net fair value of financial instruments not recognised in the balance sheet of the Group as at 31 December 2008 are:

	Group		Group	
	Nominal/Notional Amount	Net Fair Value	Nominal/Notional Amount	Net Fair Value
	2008	2008	2007	2007
	RM'000	RM'000	RM'000	RM'000
Forward foreign exchange contracts	492,183	(12,779)	126,858	1,002
Cross currency swaps	448,005	6,858	-	-
Interest rate swaps	82,992	(12,627)	-	-

- (iii) The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

Borrowings and finance lease payable

The fair value of borrowings is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is the estimated amount which the Group would expect to pay on the termination of the outstanding position arising from such contracts. At the end of the financial year, the fair value of such contracts is determined by reference to the current forward foreign exchange rate for contracts of similar maturity profiles.

38. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Foreign Exchange Risk

The unhedged financial assets and financial liabilities of the Group as at 31 December 2008 that are not denominated in functional currencies are as follows:

	Trade Receivables		Other Receivables		Investments		Other		Cash and Bank Balances		Trade Payables		Other Payables		Borrowings		Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	-	-	-	-	-	-	-	-	182	87	2	-	-	-	-	-	1,974	-
United States Dollar	44,895	26,919	12,063	12,063	12,384	51,646	423	4,147	24	20	637	-	-	-	-	-	-	-
Singapore Dollar	390	3,660	-	-	36	126	-	-	497	29	-	-	-	-	-	-	-	-
Euro	4,423	-	-	-	19	179	-	-	19	-	-	-	-	-	-	-	-	-
Swedish Krone	-	-	-	-	577	18,890	479	-	-	-	-	-	-	-	-	-	-	-
Sterling Pound	-	-	-	-	-	284	-	-	-	-	-	-	-	-	-	-	-	-
Chinese Renminbi	-	-	-	-	2,284	-	-	-	40	-	-	-	-	-	-	-	-	-
Japanese Yen	809	5	-	-	-	-	-	-	-	416	-	-	-	-	-	-	-	-
Thai Baht	19	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-
Australian Dollar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indonesia Rupiah	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indian Rupee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

38. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Foreign Exchange Risk (Cont'd.)

The unhedged financial assets and financial liabilities of the Group as at 31 December 2007 that are not denominated in functional currencies are as follows:

	Held in Non-Functional Currencies									
	Trade Receivables RM'000	Other Receivables RM'000	Investments RM'000	Other Investments RM'000	Cash and Bank Balances RM'000	Trade Payables RM'000	Other Payables RM'000	Borrowings RM'000	Others RM'000	
Ringgit Malaysia	-	-	-	-	43	225	-	-	-	-
United States Dollar	46,297	1,042	5,989	14,752	121,910	2,044	39,549	130,513		
Singapore Dollar	541	10	-	23	201	-	-	-		
Euro	115	-	2	14	694	-	-	-		
Swedish Krone	-	12	-	117	-	-	-	-		
Sterling Pound	12	-	-	2	301	-	-	-		
Chinese Renminbi	-	87	-	5	-	-	-	-		
Japanese Yen	41	-	-	9,746	16,718	-	-	10		
Australian Dollar	-	-	-	6,586	-	-	-	-		
Indonesia Rupiah	-	172	-	40	-	-	-	-		

FORM OF PROXY

UMW HOLDINGS BERHAD (090278-P)

(Incorporated in Malaysia)

3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate,
40200 Shah Alam, Selangor Darul Ehsan, Malaysia.

I/We, _____ being a member/members of

UMW Holdings Berhad, hereby appoint _____

of _____

or failing him, _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at the UMW Auditorium, UMW Holdings Berhad, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 25 June 2009 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below -

RESOLUTIONS			FOR	AGAINST
ORDINARY BUSINESS				
ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS	-	Ordinary Resolution 1		
DECLARATION OF DIVIDEND	-	Ordinary Resolution 2		
RE-ELECTION OF TAN SRI DATO' MOHAMED NOORDIN BIN HASSAN PURSUANT TO ARTICLE 123 OF THE ARTICLES OF ASSOCIATION	-	Ordinary Resolution 3		
RE-ELECTION OF DIRECTORS PURSUANT TO ARTICLE 109 OF THE ARTICLES OF ASSOCIATION				
(A) DATO' DR. NIK NORZRUL THANI BIN N.HASSAN THANI	-	Ordinary Resolution 4		
(B) MOHD. NIZAM BIN ZAINORDIN	-	Ordinary Resolution 5		
RE-APPOINTMENT OF TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965	-	Ordinary Resolution 6		
APPROVAL OF DIRECTORS' FEES	-	Ordinary Resolution 7		
RE-APPOINTMENT OF AUDITORS AND AUTHORISING DIRECTORS TO FIX THEIR REMUNERATION	-	Ordinary Resolution 8		
SPECIAL BUSINESS				
RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS	-	Ordinary Resolution 9		
PROPOSED RENEWAL OF SHARE BUY-BACK	-	Ordinary Resolution 10		

Please indicate with an "X" in the appropriate spaces provided how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he thinks fit, or, at his discretion, abstain from voting.

Signed this _____ day of _____ 2009.

Number of Shares Held	Tel. No./Handphone No.

.....
Signature of Member(s)/Common Seal

Notes

- (i) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- (ii) A proxy need not be a member of the Company but, in accordance with Section 149 of the Companies Act, 1965 and the Articles of Association of the Company, if not a member of the Company, he/she must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies, Companies Commission of Malaysia, in a particular case.
- (iii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (iv) The proxy form must be signed by the appointer or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or attorney duly authorised in that behalf.
- (v) All proxy forms should be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

PLEASE FOLD HERE

AFFIX STAMP

UMW Holdings Berhad (090278-P)
3rd Floor, The Corporate, No. 10, Jalan Utas (15/7)
Batu Tiga Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan
Malaysia

PLEASE FOLD HERE
