



UMW HOLDINGS BERHAD 090278-P

ANNUAL REPORT 2009

UMW HOLDINGS BERHAD 090278-P  
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ANNUAL REPORT 2009

## 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

Four-tiered rocks, perfectly balanced one on top of the other, is the centrepiece on the cover design of the 2009 UMW annual report. This image metaphorically depicts UMW's commitment to scaling new heights and shaping an even brighter future, based on the strong foundation of its four core businesses and four core values : Being Honourable, Vibrant, Unshakeable and Pioneering.

As the rocks majestically rise from the calm surface of the sea, so does UMW propel itself forward, seeking opportunities beyond seas and boundaries, each time rising to meet new challenges whilst remaining firmly anchored to its noble values.

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# NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Twenty-Eighth 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, 17 June 2010 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 2009 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To declare a final single-tier dividend of 9.0 sen per share of RM0.50 each for the year ended 31 December 2009, giving a total gross dividend of 20.0 sen per share of nominal value RM0.50 each for the year. **Ordinary Resolution 2**
3. To re-elect Dr. Leong Chik Weng who is retiring in accordance with Article 123 of the Company's Articles of Association. **Ordinary Resolution 3**
4. To re-elect Dato' Siow Kim Lun @ Siow Kim Lin who is retiring in accordance with Article 109 of the Company's Articles of Association. **Ordinary Resolution 4**
5. To approve Directors' fees of RM717,000 for the year ended 31 December 2009. **Ordinary Resolution 5**
6. To re-appoint Messrs. Ernst & Young as Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

**AS SPECIAL BUSINESS**

7. 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 and New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature (" Proposed Shareholders' Mandate ")**

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" THAT the mandate granted by the shareholders of the Company on 25 June 2009 pursuant to Paragraph 10.09 of the Main Market 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 25 May 2010 (" 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, AND THAT approval be and is hereby given for a new mandate for the UMW Group to enter into additional recurrent related party transactions of a revenue or trading nature as set out in Section 2.1.1 (b) of Part A of the Circular with the related parties mentioned therein, which are necessary for the UMW Group's day-to-day operations, 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 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 and new 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 7**

**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 Main Market 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 -

- (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 Main Market 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 8**

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

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of the shareholders at the Twenty-Eighth Annual General Meeting, the Final Dividend comprising a single-tier dividend of 9.0 sen per share of RM0.50 each, for the financial year ended 31 December 2009, will be paid on 10 August 2010 to shareholders whose names appear in the Record of Depositors at the close of business on 22 July 2010.

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 2010 (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 2010 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)**

25 May 2010  
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 Directors**

*Tan Sri Datuk Mohamed Khatib bin Abdul Hamid and Tan Sri Dato' Mohamed Noordin bin Hassan who are retiring under Section 129 of the Companies Act, 1965, have intimated that they do 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 and New Shareholders' Mandate for Additional 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 25 June 2009 and to seek a new mandate for additional recurrent related party transactions. 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 25 May 2010.*

**(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.*



# FINANCIAL CALENDAR

YEAR ENDED 31 DECEMBER 2009

Financial Year Ended/Ending	31 Dec 2009	31 Dec 2010
Announcement Of Results		
First Quarter	20 May 2009	20 May 2010
Second Quarter	21 Aug 2009	Aug 2010
Third Quarter	20 Nov 2009	Nov 2010
Fourth Quarter	23 Feb 2010	Feb 2011
Issue Of Annual Report And Financial Statements	25 May 2010	May 2011
Annual General Meeting	17 June 2010	June 2011
Dividends		
Interim		
- Declaration	21 Aug 2009	Aug 2010
- Payment	7 Oct 2009	Oct 2010
Second Interim		
- Declaration	20 Nov 2009	Nov 2010
- Payment	18 Feb 2010	Feb 2011
Final		
- Declaration	17 June 2010	June 2011
- Payment	10 Aug 2010	Aug 2011

# SUMMARY OF GROUP RESULTS

YEAR ENDED 31 DECEMBER 2009

	2009 RM'000	2008 RM'000
Revenue	10,720,861	12,769,581
Profit Before Taxation	846,504	1,276,685
Net Profit For The Year	647,212	955,813
Share Capital	559,658	546,072
Reserves	3,214,201	2,976,181
Basic Earnings Per Share	34.6 sen	52.3 sen
Dividend Per Share		
- Gross	20.0 sen	37.0 sen
- Net	20.0 sen	29.8 sen
Net Assets Per Share	337 sen	322 sen

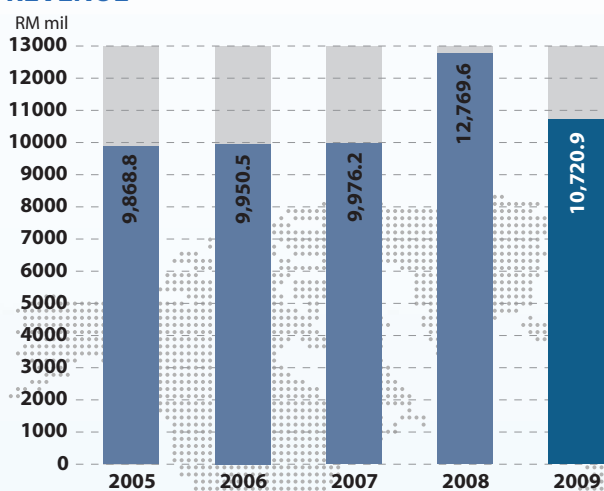
## FIVE-YEAR GROUP SUMMARY RESULTS

		2005	2006	2007	2008	2009
Revenue	RM million	9,868.8	9,950.5	9,976.2	12,769.6	<b>10,720.9</b>
Profit Before Taxation	RM million	657.5#	754.3	856.3	1,276.7	<b>846.5</b>
Profit Attributable To Equity Holders Of The Company	RM million	284.2	305.9	469.1	565.8	<b>382.4</b>
Shareholders' Funds	RM million	2,342.0	2,560.1	3,130.1	3,522.2	<b>3,773.9</b>
Return On Shareholders' Funds	%	12.7	12.5	16.5	17.0	<b>10.5</b>
Return On Total Assets	%	11.5#	14.8	13.2	16.3	<b>9.6</b>
Dividend Rate - Gross	%	38.0	41.0	60.0	74.0	<b>40.0</b>
Basic Earnings Per Share*	Sen	28.1	30.2	44.6	52.3	<b>34.6</b>
Net Assets Per Share*	RM	2.31	2.51	2.91	3.22	<b>3.37</b>

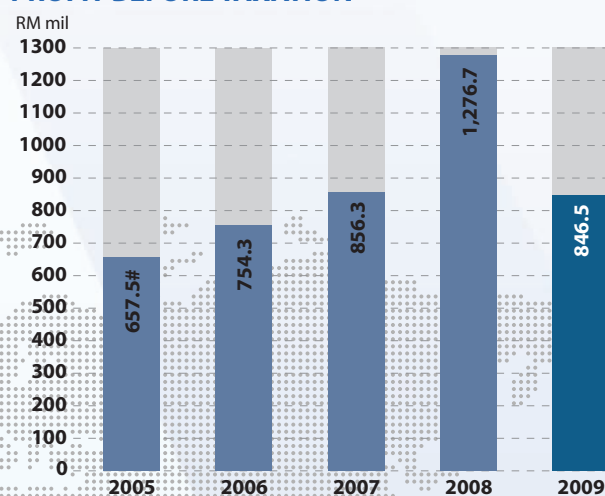
\* After taking into account the effects of the UMW Share Split that was completed in March 2008.

# Restated in compliance with new Financial Reporting Standards.

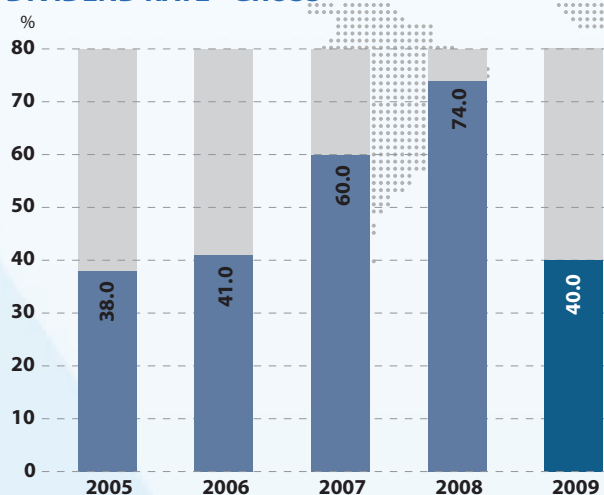
### REVENUE



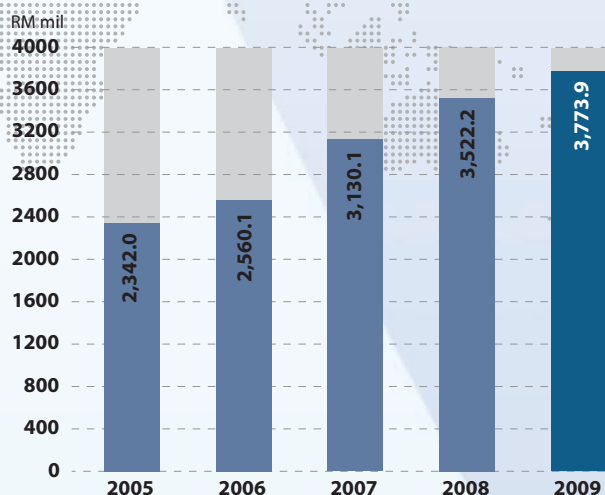
### PROFIT BEFORE TAXATION



### DIVIDEND RATE - GROSS



### SHAREHOLDERS' FUNDS



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### GROUP CHAIRMAN

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

### PRESIDENT & GROUP CEO

**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)

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

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

**Dato' Siow Kim Lun @ Siow Kim Lin**  
(Independent Non-Executive Director)

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

## BOARD COMMITTEES

### AUDIT COMMITTEE

Tan Sri Dato' Mohamed Noordin bin Hassan (*Chairman*)  
Dr. Leong Chik Weng  
Dato' Mohd. Nizam bin Zainordin

### NOMINATION COMMITTEE

Tan Sri Datuk Asmat bin Kamaludin (*Chairman*)  
Tan Sri Dato' Mohamed Noordin bin Hassan  
Dato' Siow Kim Lun @ Siow Kim Lin

### REMUNERATION COMMITTEE

Tan Sri Datuk Mohamed Khatib bin Abdul Hamid (*Chairman*)  
Dr. Leong Chik Weng  
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani

### 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  
Alliance Bank Malaysia Berhad  
AmBank Group  
Bank Islam (Malaysia) Berhad  
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad  
Bank of Tokyo-Mitsubishi UFJ (Labuan)  
CIMB Bank Berhad  
Citibank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
HSBC Bank Australia Limited  
The Hong Kong and Shanghai Banking Corporation Limited, Offshore Labuan  
Malayan Banking Group  
OCBC Bank (Malaysia) Berhad  
Public Bank Berhad  
RHB Banking Group  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corporation  
Deutsche Bank (Malaysia) Berhad  
ABN AMRO, Labuan Offshore

### STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad

### WEBSITE

[www.umw.com.my](http://www.umw.com.my)

# BOARD OF DIRECTORS

SEATED (L-R): DATO' ABDUL HALIM BIN HARUN, TAN SRI DATUK ASMAT BIN KAMALUDIN  
STANDING (L-R): DATO' SIOW KIM LUN @ SIOW KIM LIN, DATO' DR. NIK NORZRUL THANI BIN N.HASSAN THANI,  
TAN SRI DATO' MOHAMED NOORDIN BIN HASSAN, SUSEELA MENON (Group Secretary/Executive Director,  
UMW Corporation), TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID, DR. LEONG CHIK WENG,  
DATO' MOHD. NIZAM BIN ZAINORDIN





## 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 and is the Chairman of the Nomination Committee of the Board.

A Malaysian, aged 66, 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, Malaysia ("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, TASCOS Berhad (formerly known as Trans-Asia Shipping Corporation Berhad), Compugates Holdings Berhad and Scomi Marine 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. In 2008, he was 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 nine (9) Board meetings held in the financial year.

### DATO' ABDUL HALIM BIN HARUN

#### President & Group CEO

Non-Independent Executive Director

Dato' Abdul Halim bin Harun was appointed to the Board of Directors of UMW Holdings Berhad on 15 October 1990. He was appointed the Group Managing Director & Chief Executive Officer on 5 April 2001 and was subsequently re-designated as President & Group CEO on 1 June 2009. Dato' Abdul Halim sits on the boards of a number of UMW's subsidiaries and associated companies, both local and abroad.

A Malaysian, aged 59, 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. Prior to joining UMW Holdings Berhad, Dato' Abdul Halim was the Managing Director of Klang Port Management Sdn. Bhd. and Klang Container Terminal Berhad.

In 2007, Dato' Abdul Halim 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.

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 nine (9) 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 71, he obtained his Bachelor of Arts (Hons.) degree from the University of Malaya in 1962. 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 all nine (9) 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 70, 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 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. Tan Sri Dato' Mohamed Noordin attended seven (7) out of the nine (9) 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 47, 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 and OLDTOWN 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. 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. Dr. Leong attended all nine (9) 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 Remuneration Committee of the Board.

A Malaysian, aged 49, 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 and Chairman of Zaid Ibrahim & Co., the largest law firm in Malaysia. 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. Dato' Dr. Nik Norzrul Thani attended five (5) out of the nine (9) Board meetings held in the financial year.



## **DATO' SIOW KIM LUN @ SIOW KIM LIN**

Independent Non-Executive Director

Dato' Siow Kim Lun @ Siow Kim Lin was appointed to the Board of Directors of UMW Holdings Berhad on 10 July 2009 and is a member of the Nomination Committee of the Board.

A Malaysian, aged 59, he obtained his Bachelor's degree in Economics (Honours) from Universiti Kebangsaan Malaysia and a Masters degree in Business Administration from the Catholic University of Leuven, Belgium. He attended the Advanced Management Program at Harvard Business School, USA in 1997. Dato' Siow started his career in investment banking with Malaysian International Merchant Bankers in 1981 and served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Investment Bank) as Manager of Corporate Finance and subsequently became Divisional Head of its Corporate Finance Division. In April 1993, Dato' Siow joined the Securities Commission ("SC") where he served for over 13 years until his retirement in December 2006. During his tenure with SC, Dato' Siow held several positions including Director of the Issues & Investment Division, Director of the Market Supervision Division as well as Executive Director, Office of the SC Chairman. He also served as a member of the Listing Committee of Bursa Malaysia Securities Berhad from May 2007 to May 2009.

Dato' Siow is presently a Director of Citibank Berhad, Kumpulan Wang Persaraan (Diperbadankan), WZ Steel Berhad (formerly known as Weng Zheng Resources Berhad), XingQuan International Sports Holdings Limited and MainStreet Advisers Sdn. Bhd.

Dato' Siow is not related to any Director and/or major shareholder of UMW Holdings Berhad except by virtue of being a Director of Kumpulan Wang Persaraan (Diperbadankan). 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' Siow attended all four (4) out of the four (4) Board meetings held after his appointment.

## **DATO' MOHD. NIZAM BIN ZAINORDIN**

Non-Independent Non-Executive Director

Dato' 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 46, 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.

Dato' Mohd. Nizam is presently a Director of Pengurusan Pelaburan ASW 2020 Berhad, Pengurusan Pelaburan ASN Berhad, Lanjut Golf Berhad and Chemical Company of Malaysia Berhad.

Dato' 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. Dato' Mohd. Nizam attended all nine (9) Board meetings held in the financial year.

# MANAGEMENT COMMITTEE

FROM LEFT: AZMIN BIN CHE YUSOFF, CHEW CHEE LOON, KUAH KOCK HENG, DATO' ABDUL HALIM BIN HARUN,  
ZULKIFLY BIN ZAKARIA, SUSEELA MENON, ZAILAN BIN AHMAD, AZHAR BIN HARUN





# AUDIT COMMITTEE REPORT

## CHAIRMAN

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

## MEMBERS

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

**Dato' 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 three (3) Non-Executive Directors (the majority being Independent Directors), namely, Tan Sri Dato' Mohamed Noordin bin Hassan, Dr. Leong Chik Weng and Dato' Mohd. Nizam bin Zainordin.

Dato' 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 2007 - 2009 will be conducted in 2010.

## 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.
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.

## AUDIT COMMITTEE REPORT (CONT'D.)

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 President & Group CEO, 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 2009, the Committee met six (6) times, i.e., on 24 February 2009, 22 April 2009, 20 May 2009, 29 May 2009, 21 August 2009 and 18 November 2009. Tan Sri Dato' Mohamed Noordin bin Hassan, Dr. Leong Chik Weng and Dato' Mohd. Nizam bin

Zainordin attended all six (6) meetings held in the year under review.

### 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 2009 -

1. Reviewed the quarterly financial statements of the Company for the fourth quarter of 2008 on 24 February 2009 and the financial statements for the first, second and third quarters of 2009 on 20 May 2009, 21 August 2009 and 18 November 2009, respectively, prior to recommending them for Board approval.
2. Reviewed the annual audited financial statements of the UMW Group for the year ended 31 December 2008 on 22 April 2009 with the external auditors to ensure compliance with all legal and regulatory requirements prior to submission to the Board for approval.
3. Reviewed the 2009 Audit Planning Memorandum prepared by the external auditors to ensure adequate scope and comprehensive coverage over the activities of the UMW Group, on 18 November 2009.
4. Reviewed the Internal Audit Division objectives/plans/budget for 2009.
5. Reviewed the effectiveness of the audit process, resource requirements of the IAD for the year and assessed the performance, effectiveness and efficiency of the IAD.
6. Discussed the proposed calendar for adoption of Financial Reporting Standards in 2009 and financial reporting developments, changes and impact on companies reporting under FRS in 2010.

## AUDIT COMMITTEE REPORT (CONT'D.)

7. Reviewed the UMW Group's enterprise risk management ("ERM") framework and status of ERM activities of the Group in 2009.
8. Discussed the audit timetable and the proposed audit fees for the UMW Group for the financial year 2009.
9. Reviewed and discussed the report of the Chairman of the Management Audit Committee.
10. Reviewed the internal audit reports covering the performance of companies/branches audited in the fourth quarter of 2008 and in the first and second quarters of 2009, and the reports generated in the financial year ended 31 December 2009 by the IAD, the audit recommendations made and management's response to these recommendations, and ensured that material findings were adequately addressed by management.
11. Reviewed the status reports on issues raised by external auditors.
12. Monitored corrective actions on the outstanding audit issues to ensure that all key risks and controls lapsed, have been addressed.
13. Reviewed the Statement on Internal Controls in respect of the year ended 31 December 2008, including the Statement on Risk Management.
14. Reviewed the related party transactions entered into by UMW Holdings Berhad and/or its Group of Companies with related parties.
15. Reviewed the Circular to Shareholders relating to renewal of shareholders' mandate for existing recurrent related party transactions and new shareholders' mandate for additional recurrent related party transactions of a revenue or trading nature and renewal of shareholders' authority for the Company to purchase its own shares, prior to recommending it for Board approval.

### 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 2009, the IAD carried out audits of 150 business units in the UMW Group. A total of 31 reports relating to the audit of companies/branches in the fourth quarter of 2008 and the first and second quarters of 2009, generated in the financial year, were reviewed by the Audit Committee.

The total cost incurred for the internal audit function for 2009 was RM3,372,584.

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

# NOMINATION COMMITTEE REPORT

## CHAIRMAN

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

## MEMBERS

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

Dato' Siow Kim Lun @ Siow Kim Lin  
(*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, Tan Sri Datuk Asmat bin Kamaludin, Tan Sri Dato' Mohamed Noordin bin Hassan and Dato' Siow Kim Lun @ Siow Kim Lin. Tan Sri Datuk Asmat bin Kamaludin assumed the position of Chairman of the Nomination Committee on 5 June 2009 in place of Dato' Ir. Lee Yee Cheong. Dato' Siow Kim Lun @ Siow Kim Lin was appointed on 24 July 2009 following a re-composition of the Nomination Committee.

## 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

President & Group CEO 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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
  - 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-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

## NOMINATION COMMITTEE REPORT (CONT'D.)

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 reached 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 outside 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, President & Group CEO 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 2009, the Committee met five (5) times, i.e., on 25 February 2009, 20 May 2009, 25 June 2009, 22 October 2009 and 16 December 2009. Tan Sri Dato' Mohamed Noordin bin Hassan attended four (4) meetings out of the five (5) meetings held in the year under review. Tan Sri Datuk Asmat bin Kamaludin attended the three (3) meetings held after his appointment in June 2009 whilst Dato' Siow Kim Lun @ Siow Kim Lin attended one (1) out of the two (2) Nomination Committee meetings held after his appointment in July 2009.

### 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 REPORT

## CHAIRMAN

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

## MEMBERS

**Dr. Leong Chik Weng**  
(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 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 three (3) members all of whom are Non-Executive Directors, namely, Tan Sri Datuk Mohamed Khatib bin Abdul Hamid, who is also Chairman of the Committee, Dr. Leong Chik Weng and Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani. Dato' Dr. Nik Norzrul Thani was appointed to the Remuneration Committee on 24 July 2009 following the resignation of Dato' Haji Darwis bin Mohd. Daid in April 2009.

## 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 President & Group CEO 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 2009, the Committee met six (6) times, i.e., on 25 February 2009, 24 March 2009, 20 May 2009, 25 June 2009, 9 November 2009 and 16 December 2009. Tan Sri Datuk Mohamed Khatib bin Abdul Hamid and Dr. Leong Chik Weng attended all six (6) meetings held in the year under review whilst Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani attended one (1) out of the two (2) Remuneration Committee meetings 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 Remuneration Committee meeting.

# UMW GROUP STRUCTURE

## 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**

### SUPPORT OPERATIONS

**Toyota Capital Malaysia Sdn. Bhd.**  
Seabanc Kredit Sdn. Bhd.  
Toyota Capital Acceptance Malaysia 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.**

## UMW OIL & GAS BERHAD 798108-A

### OIL & GAS

**UMW Australia Ventures Sdn. Bhd.**

**UMW Oil & Gas Corporation Sdn. Bhd.**

**UMW Middle East Ventures Holding W.L.L., Bahrain**  
Arabian Drilling Services L.L.C, Oman

### 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.**

### 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**  
Lubritech Limited, China

**MK Autocomponents Limited**  
Sathya Auto Private Limited, India  
Castwel Autoparts Private Limited, India

**MK Automotive Industries Limited**  
UMW Dongshin Motech Private Limited, India



**UMW HOLDINGS BERHAD** 090278-P

**UMW PETROPIPE (L) LTD.**  
LL03753

**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.**

*UMW Oilfield Commerce (Beijing) Co., Ltd, China  
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 Naga Three (L) Ltd.**

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

**Vina Offshore Holdings Pte. Ltd., Singapore**

*Vietnam Offshore Fabrication & Engineering Co. Ltd., Vietnam  
UMW Deepnautic Pte. Ltd., Singapore  
Helmsion Engineering Pte. Ltd., Singapore*

**Multicoat Coating Technologies Private Limited, India**

**Multicoat Surfaces 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**

**UMW Singapore Ventures Pte. Ltd., Singapore**

*UMW Marine and Offshore Pte. Ltd., Singapore  
Offshore Construction Services Pte. Ltd., Singapore  
Sichuan Haihua Petroleum Steelpipe Co. Ltd., China*

**UMW Offshore Investment (L) Ltd.**

**UMW AUSTRALIA  
VENTURES (L) LTD.**  
LL06487

**OIL & GAS**

**PFP Holdings Pty. Ltd., Australia**

*PFP (Aust) Holdings Pty. Ltd., Australia  
PFP (Aust) Pty. Ltd., Australia  
PFP Singapore Pte. Ltd., Singapore  
PFP (Shenzhen) Piping Materials Co., Ltd., China  
PFP Taiwan Co., Ltd., Taiwan  
PFP (Malaysia) Sdn. Bhd.*

**UMW MALAYSIAN  
VENTURES SDN.BHD.**  
834177-K

**OIL & GAS**

**Synergistic Generation Sdn. Bhd.**

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

**UMW Deepnautic Sdn. Bhd.**

# CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2009 saw the world in the midst of an economic crisis. There were negative undertones everywhere and we witnessed its effect seeping into the markets that we operate in. By and large, the global downturn did have some impact on the Malaysian economy, and this generally resulted in lower demand for our industrial and consumer products. Our cost of importation also rose due to the foreign currency exchange factor. Our performance in the 1st Quarter was reflective of these poor conditions.

Fortunately, market sentiment began to turn around with each following quarter. The Malaysian economy enjoyed a boost from the Government's two stimulus packages, worth a total of RM67 billion.

The Group took measures during the year to remain highly competitive and profitable. These measures included various cost-saving measures, deferment of non-critical capital expenditure, enhancement of risk factor assessments for new investments and extraction of greater efficiency and productivity levels.

Under the steerage of our experienced management team, the Group was able to weather the economic storm and ride the wave of renewed market confidence. We achieved an overall performance that was encouraging in the second half of 2009 and we are poised to continue our journey further *Beyond Boundaries*<sup>®</sup>.

## FINANCIAL PERFORMANCE

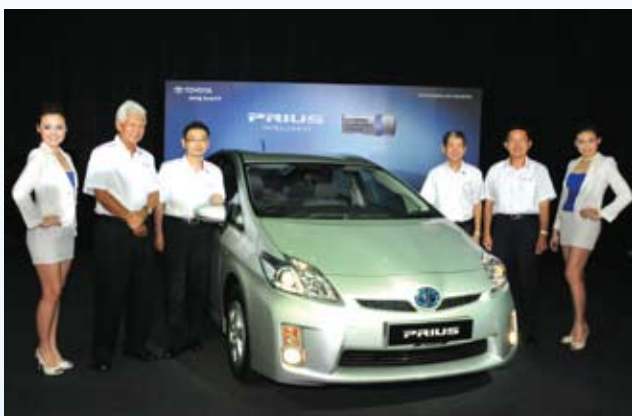
Despite the extremely challenging economic conditions, the Group registered a profit before taxation of RM846.5 million and net profit attributable to equity holders of RM382.4 million for the year 2009 on the back of revenue totalling RM10.7 billion. This is a commendable achievement under the circumstances and exceeded our expectations.

While all our companies rose to meet the effects of the global economic crisis, our Automotive Division remained the Group's revenue stronghold. The Division contributed RM738.2 million to Group profit. Among the other subsidiary companies that achieved increased profitability were UMW JDC Drilling Sdn. Bhd., UMW Petrodril (Malaysia) Sdn. Bhd., PFP Holdings Pty. Ltd., KYB-UMW Malaysia Sdn. Bhd., and Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd.



## DIVISION HIGHLIGHTS

### AUTOMOTIVE



Toyota Prius made its debut in Malaysia

The Automotive Division turned in very good results in the face of the economic downturn. Total sales of Toyota and Perodua vehicles amounted to 248,521 units, representing 46.29% of the Total Industry Volume ("TIV") of 536,905 units in 2009, according to the Malaysian Automotive Association ("MAA").

Our car models, Toyota Vios and Perodua Myvi, retained their positions as the most successful and popular non-national sedan, and the highest ranking compact car, respectively.

The progressive implementation of two (2) economic stimulus packages by the Malaysian Government and signs of recovery in major economies improved market sentiment and helped boost revenue in the second half of 2009.

Sales of Toyota vehicles in Malaysia are not expected to be materially affected by the recent major recall of Toyota cars in the United States of America. Relevant components used in Toyota and Lexus models sold in Malaysia are manufactured by different suppliers from those in the US market. An exception to this was the Toyota Prius, imported into Malaysia as Completely Built-up Units ("CBUs"). Recognising this fact, we initiated a special service campaign to carry out the necessary corrective measures on the Toyota Prius units sold in Malaysia. All new Prius units will go through corrective measures before delivery.

### OIL & GAS

The Oil & Gas Division consolidated some of its activities and saw some of its new investments and projects commencing operations in 2009. The Company announced that it will not be seeking a further extension of time from the Securities Commission to implement the proposed listing of its wholly-owned subsidiary, UMW Oil & Gas Berhad. The Company intends to revise its listing scheme to include a number of entities that were previously greenfield investments but have now achieved profitability in their operations.

One such entity is Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. ("Zhongyou BSS") which registered its first year of revenue and positive profit before taxation in 2009. The company is a joint venture with a subsidiary in the China National Petroleum Corporation group and was formed to manufacture oil and gas transmission pipes for the 9,100 km-long, 2nd West-East Gas Pipeline that spans from Kazakhstan to Shanghai, China.

Other new projects also progressed satisfactorily in 2009, the most notable one being United Seamless Tubular Private Limited's ("USTPL") new seamless pipe plant in Hyderabad, India. The plant construction has been completed, and commissioning is now in progress. Operations are expected to commence in the second half of 2010.

UMW Oilpipe Services Sdn. Bhd. ("UMW Oilpipe Services") in Labuan remained the largest premium threading plant in Malaysia, and the market leader in oil country tubular goods ("OCTG") threading in Malaysia. In 2009, UMW Oilpipe Services retained 70% market share in East Malaysia for the second consecutive year.

The Oil & Gas Division made several acquisitions and embarked on a few new ventures in 2009, as part of its plans for continued growth and expansion. The year opened with our wholly-owned subsidiary, UMW Malaysian Ventures Sdn. Bhd., acquiring a 60% share of Synergistic Generation Sdn. Bhd. The latter is a total power solutions provider which markets and services a range of diesel and



UP Gait II

gas engine parts, generator sets and pump sets for the oil and gas, military, telecommunications and public utility markets. It also provides complete design, installation, commissioning and other engineering services.

In March, UMW Petrodril (Malaysia) Sdn. Bhd. ("UMW Petrodril"), a 99%-owned subsidiary of UMW, entered into a new joint venture with Snubco Pressure Control International Ltd. to form UMW Pressure Control Sdn. Bhd. UMW Petrodril owns 51% equity interest in the new company.

Three months later, the Group acquired a majority stake in Arabian Drilling Services L.L.C, Oman, an owner and operator of onshore drilling rigs for the Middle East market.

In October, Vina Offshore Holdings Pte. Ltd. ("Vina Offshore"), a 70%-owned subsidiary of UMW, entered into a joint venture with SWG International Holdings Pte. Ltd., Australia, to form UMW Deepnautic Pte. Ltd. and UMW Deepnautic Sdn. Bhd. The joint venture companies provide engineering, fabrication, installation and commissioning services to the offshore Oil & Gas sector.

Another notable development in our oil and gas business was the completion of Share Purchase Agreements with Singapore Drilling AS to acquire all of the equity in UMW Standard 1 Pte. Ltd., UMW Standard 3 Pte. Ltd. and UMW Standard Drilling Sdn. Bhd. ("UMW Standard Drilling"). These companies, which own our ultra-premium, state-of-the-art jack-up rigs, NAGA 2 and NAGA 3, are now wholly-owned subsidiaries of UMW.

Towards the end of 2009, UMW took delivery of NAGA 2. Negotiations are in progress with prospective clients and we are hopeful that a contract can be concluded by the first half of 2010.

## EQUIPMENT

The Equipment Division emerged with RM1.2 billion in revenue. We reinforced our product support and worked closely with our customers to weather the economic storm. Our market share improved during this period. The Heavy Equipment group improved its market share to 35% in Malaysia while the Industrial Equipment group



Komatsu Excavator

secured more than 50% market share in both Malaysia and Singapore. Performance of our overseas operations was also very good.

## MANUFACTURING & ENGINEERING

The challenges of 2009 saw the Manufacturing & Engineering ("M&E") Division refocus its energy to improving profitability and refreshing its strategy towards brand and technology ownership acquisition in key areas of opportunity. The Division deployed a strategy of price repositioning and implementation of lean production processes in order to pave the way for increases in margins. As a result, the Division posted moderate growth in 2009, with total revenue registering a 4.1% increase over 2008. This strategy is expected to boost the Division's performance in the first quarter of 2010.



Launch of RS-PRO, latest motorsports suspension

The two biggest profit contributors to the M&E Division were UMW Pennzoil Distributors Sdn. Bhd. ("UMW Pennzoil") and KYB-UMW Malaysia Sdn. Bhd. ("KYB-UMW"). During the year, UMW Pennzoil employed various measures that were effective in overcoming the challenges of a depressed market and price hikes of raw materials. The last quarter of 2009 showed improved performance and profitability of the company.

KYB-UMW remained the largest shock absorber and power steering pump manufacturer in the country. The company successfully launched the "RS Pro Performance Suspension" in June 2009. The new product caters to the growing niche market of motorsport enthusiasts.

2009 also saw Coldfusion Engineering Sdn. Bhd. ("Coldfusion Engineering") set up a new semiconductor operation in Penang. This is a significant milestone for the M&E Division as it marks the beginning of industry diversification from the automotive components sector to intellectual property and technology ownership.

## CORPORATE SOCIAL RESPONSIBILITY

Consequent to the recent rebranding exercise of UMW, the Group took on a structured approach to its Corporate Social Responsibility ("CSR") efforts, understanding that a truly world-class organisation never forgets its responsibility towards society.



Handover of Toyota vehicles & community service grant to MERCY Malaysia

The Company's CSR strategy is comprehensive with a focus that is not just to fund charitable projects but to also look at international best practices in CSR, focusing on the marketplace, the workplace, the environment and the community.

In the marketplace, we constantly strive to ensure that our customers receive only the best quality products and services from us.

In the workplace, there is great emphasis on the development and training of employees to enable them to reach their full potential. There is strong commitment and a clear policy to provide a safe and healthy work environment for all. Safety standards are continuously being improved and in 2009, six (6) companies in the Group achieved OHSAS 18001:2007 certification.

To inculcate youth with a sense of responsibility for Mother Nature, the Group continued to carry out the long-established Toyota Eco Youth Programme and its off-shoot, the Toyota Eco Rangers. We also collaborated with Yayasan Anak Warisan Alam to launch a new environment education programme in 2009, known as the UMW Green Challenge.

UMW partnered with MERCY Malaysia to bridge the healthcare divide in remote and vulnerable communities in Sabah and Sarawak. We contributed a grant worth RM798,400 which included two (2) units of Toyota Hilux and one (1) unit of Toyota Hiace for the transportation of volunteers, medical supplies and equipment to these communities.

At UMW, the employees believe that financial contributions can provide a spark of hope for worthwhile causes, but at the end of the day, it is our personal involvement that keeps the fire burning. Guided by this belief, we launched the UMW Community Champions, a volunteer programme that enables employees to play an active role in the Group's CSR efforts. The UMW Community Champions clocked over 2,000 hours of community service in the six (6) months since the programme was launched.

## DIVIDEND

The Board is pleased to recommend a final single-tier dividend of 9.0 sen per share for financial year 2009. The amount of net dividend payable is approximately RM101.6 million. The proposed final dividend, if approved, will be paid on 10 August 2010.

The annual dividend per share would be a gross dividend of 40% amounting to approximately RM224.6 million of net dividend. This payout represents approximately 58.7% of 2009 net profit attributable to shareholders of UMW. The Company's basic dividend policy is to pay a minimum of 50% of net profit.

## PROSPECTS AND FUTURE DIRECTION

The global economy is in recovery mode and Malaysia is no exception. Bank Negara Malaysia has forecasted a 4% - 5% growth rate for the country in 2010. UMW is confident that as long as there is continued emphasis on quality products and excellent customer support, the Group can capitalise on opportunities which will arise in an improving business environment.

Things seem to be looking up for the Automotive Industry in 2010. We are greatly encouraged by the fact that the MAA forecasts an average of 3% annual increase in TIV from 2010 to 2014. We are confident that Toyota and Perodua will maintain their market share through strong customer service programmes, upgrading of models, as well as offering of high value-for-money and fuel-efficient vehicles to consumers.

The 1st Quarter 2010 results of UMW Toyota Motor Sdn. Bhd. show that unit sales are up by 22%, year-on-year. This proves that Malaysians are aware of the fact that the quality of local Toyota models is not compromised in any way and is not affected by the safety recall issue in the United States. We expect to meet the 2010 sales target for Toyota vehicles.

For Perodua, our growth will come from sales of the newly-launched Alza and we expect to see continued high demand for the Myvi and Viva models.

In our Oil & Gas Division, contributions are expected to improve in the second half of 2010, as the Group begins to enjoy the fruits of a number of greenfield investments. Zhongyou BSS will enter its first full-year production of Spiral Submerged Arc Welded and Longitudinal Submerged Arc Welded pipes in 2010.

The new OCTG plant in India by USTPL is expected to commence production in the second half of 2010 while the new land rigs in India and the Middle East, and the workover rig Gait V are expected to generate revenue in 2010.



Our ultra-premium jack-up rigs NAGA 2 and NAGA 3 are also expected to contribute to revenue in the second half of 2010 for UMW Standard Drilling.

WSP Holdings Limited is expected to improve its performance in the second half of 2010, consequent to the measures taken to address the issue of countervailing duties in North America. The company will also pursue new opportunities in Central and South America through its subsidiaries in Houston and Thailand.

Overall, the Oil & Gas Division is poised for strong growth in the future.

Most of the countries in which our Equipment Division operates are forecasted to improve economically in 2010. As a result of this, we expect strong demand for industrial and heavy equipment throughout the year.

Domestically, the construction sector is expecting positive growth in 2010 in view of the progressive implementation of projects under the two (2) economic stimulus packages. Other projects like the Ninth Malaysia Plan, Iskandar Development Region, East Coast Economic Region and North Corridor Economic Region are also expected to inject positive economic sentiment for the construction sector in the near future. This augurs well for the Group's Equipment Division.

The quarry and mining sectors are likely to enjoy the spill-over effect from the boost in the construction sector and this bodes well for the Group, especially for our Heavy Equipment Division.

Other sectors of the economy such as manufacturing, logistics, warehousing and timber are registering very encouraging growth and this will contribute positively to the industrial and heavy equipment businesses.

The M&E Division will extend its reach into China through Lubritech International Holdings Limited. The 60%-owned entity of UMW received the certificate for the establishment of a new 100%-owned subsidiary company known as Lubritech Limited, which will manufacture, process and market lubricants for the Chinese market.

Our investments in automotive parts manufacturing companies in India are expected to broaden the M&E Division's income base, as India's automotive market experiences robust growth, with the country set to become a global hub for small car manufacturing.

Coldfusion Engineering's advanced packaging and micro-electronics plant in Penang is expected to go live into production mode in 2010, further enhancing revenue for the year.

The M&E Division will continue to move towards diversification into non-automotive industry sectors,

concentrating on high-growth, technology-driven, globally-oriented fields which will drive innovation and expansion. We believe that this is fundamental to the Division's sustainability, growth and continued profitability.

## ACKNOWLEDGEMENT

The year 2009 was certainly an arduous and challenging one for UMW. We are fortunate to have a team of astute leaders and over 10,000 committed staff in 14 countries who have worked tirelessly to ensure the Group's continued success. Looking back, we have not merely survived the initial economic storm; we have proudly achieved yet another year of commendable results.

I would like to take this opportunity to express my appreciation to all UMW employees for their efforts and dedication towards going further *Beyond Boundaries*<sup>®</sup>.

My heartfelt gratitude also goes to my fellow Board members. Our success would not have been possible without their support and guidance.

I would also like to record my deepest appreciation for the valuable contributions of Tan Sri Datuk Mohamed Khatib bin Abdul Hamid and Tan Sri Dato' Mohamed Noordin bin Hassan, who have served the Board for more than nine (9) years and six (6) years, respectively, and who will not be seeking re-appointment at UMW's forthcoming Annual General Meeting.

I would like to extend a warm welcome to Dato' Siow Kim Lun @ Siow Kim Lin, who was appointed to the Board of Directors as an Independent Non-Executive Director on 10 July 2009. I look forward to his contributions and services.

Last but not least, I would like to thank our principals, customers, shareholders, suppliers and business associates for their co-operation and support.

Together, we have emerged stronger and wiser through the difficulties of 2009. Together, we can look forward to more promising years ahead.



**ASMAT BIN KAMALUDIN**  
Group Chairman

UMW Holdings Berhad  
Shah Alam, Selangor Darul Ehsan  
25 May 2010



# REVIEW OF OPERATIONS

THE GLOBAL ECONOMIC CRISIS OF 2009 THAT AFFECTED MOST OF OUR BUSINESSES WAS THE ACID TEST THAT PROVED UMW'S METTLE IN SUCCESSFULLY DEALING WITH DIFFICULT CHALLENGES. THANKS TO OUR RESILIENT TEAM, THE UMW GROUP MANAGED TO EMERGE FROM THIS CRISIS RELATIVELY UNSCATHED.

**DATO' ABDUL HALIM BIN HARUN**

President & Group CEO

## AUTOMOTIVE



Lexus RX350

### UMW TOYOTA MOTOR SDN. BHD.

Despite the very challenging environment in 2009 consequent to the effects of the global economic crisis, UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") achieved commendable performance.

For the twentieth consecutive year, the Toyota marque retained its position as the leader in the non-national car category, with total sales of 82,089 units.

The Toyota Vios continued to be the most popular non-national sedan while the Toyota Camry continued to be the leader in the medium passenger car segment, with more than 50% market share. The Toyota Hilux captured a 37% market share of the 4x4 segment. Sales of Lexus charted a 43% increase over the previous year.

New and enhanced versions of the Toyota Vios TRD, Camry MC and Prius, and the new Lexus IS250 MC and RX350 were launched in 2009.

UMW Toyota Motor continued to win awards. During the year, the company bagged a number of awards in an independent study by J.D. Power Asia-Pacific. The company was ranked the highest in customer service in Malaysia for the second consecutive year in the J.D. Power Asia-Pacific Customer Service Index. In the Sales Satisfaction Index, UMW Toyota Motor came in second. The company also received an award each in the Mid-size and MPV/Van categories in the Initial Quality Study. The Toyota Innova claimed the top spot for the second consecutive year in the MPV/Van segment. The Toyota Vios and the Toyota Hilux claimed second place in the Entry Mid-size Car and Pick-Up segment, respectively.

The year saw the opening of four (4) new service centres - Kulim in Kedah, Klang in Selangor, Topmark used car operation in Kuantan and the Regional Parts Distribution Centre (RPDC) in Kuching - to improve accessibility to customers and enhance service network. A new historical record of more than 1 million vehicles were serviced throughout the country.

The pre-owned vehicle arm, TopMark, has to date, seven (7) outlets across Malaysia to support the growing pre-owned vehicle business. UMW Toyota Motor is the only distributor to have a full-fledged pre-owned vehicles operation.

### ASSEMBLY SERVICES SDN. BHD.

Assembly Services Sdn.Bhd. ("ASSB") is the manufacturer/assembler of the Vios, Hilux, Innova, Fortuner and Hiace. The company also manufactures and assembles selected models of Hino and Daihatsu vehicles.

In its continuous pursuit of quality, ASSB saw increased participation in Quality Control Circle ("QCC") activities, from only a few participating teams in the initial stages to 421 teams in 2009. The QCC teams have participated in activities at various levels such as UMW Toyota Motor Group Conference (HQ), PNB Group Quality Day, Toyota Asia-Pacific and Toyota Global QCC Conventions. The increased number reflects the company's commitment towards quality and improvement of production systems.

ASSB also won several awards in 2009. One of them was Extremely Excellent Manufacturing Quality by Toyota Motor Corporation, Japan. This award is in recognition of the company's high-level achievement in terms of global shipping target and zero defect flowout.

For the second consecutive year, the Toyota Innova, assembled by ASSB, achieved the distinction of being the best-selling model in the MPV/Van segment. The company also maintained the standard of 0.2 defects per unit in the TMC Shipping Quality, which was also Toyota Global's target.

In support of local suppliers' manufacturing capabilities, ASSB's Vendor Development Programme, such as Kaizen Teams, was established to promote the Kaizen culture to local suppliers. The main objective of the programme is to improve production processes, efficiency and productivity of Toyota parts suppliers.

Investments will continue to be made in the areas of quality (such as painting process), performance efficiency (automation) and safety (hardware improvements and awareness) to position ASSB as a top manufacturer/assembler for Toyota in the region.

### AUTOMOTIVE INDUSTRIES SENDIRIAN BERHAD

Automotive Industries Sendirian Berhad's ("AISB") main activities include manufacturing and supply of automotive components such as exhaust systems, instrument panel reinforcements, catalytic converters and seat frames, amongst others. In 2009, the company also established a new exhaust manifold line for the Perodua MPV model and an automation of muffler line.

Increased profitability was registered by the company in the year 2009. The increase was achieved due to better product mix, higher efficiency and cost reduction activities.

Despite strong competition, AISB's market share in original equipment manufacturing ("OEM") remained stable at 94% for CKD models in 2009. The company continued to achieve excellence in its core product - exhaust systems, and received project awards for new core models from major customers.

Other awards conferred upon the company include the Cost Appreciation Award and Quality Appreciation Award from Honda Malaysia, and Best of the Best Kaizen Champion from PROTON. The company was also certified with TS16949 Quality Management System. The company continued to work closely with Original Equipment Manufacturers to increase local content and add more localised items.

#### **TOYOTA BOSHOKU UMW SDN. BHD.**

Toyota Boshoku UMW Sdn. Bhd. ("TBU") traditionally manufactures and supplies car seats and accessories to Toyota. In 2009, TBU won the contract to supply seat sets to Suzuki Malaysia Automobile Sdn. Bhd. and introduced the Suzuki Swift seat assembly line.

TBU also introduced a new in-house process for spot welding of cushion frames, Hino commercial vehicle frame welding, and leather cover sewing for Fortuner. Besides Suzuki Swift seats, TBU also manufactured new products such as cushion frames and Vios TRD sport seats and door trims.

TBU will continue to work closely with its technical partner, Toyota Boshoku Japan, to explore more localisation activities for Toyota and non-Toyota products to increase business activities.

#### **PERUSAHAAN OTOMOBIL KEDUA SDN. BHD. GROUP**

For the fourth consecutive year, Perusahaan Otomobil Kedua Sdn. Bhd. Group ("Perodua") retained its position as the No. 1 car company in Malaysia. Market share improved to 31.1% in 2009 with a total number of 166,736 units of Perodua models sold.

In November, Perodua launched the new Alza model. By December, 2,850 units of Alza were registered and 15,500 units booked.

Myvi continued to dominate the market as the best-selling vehicle in Malaysia. The number of Myvi sold increased to 90,595 units in 2009. A total of 377,897 units of Myvi have been sold since its launch in May 2005.

Besides the new Alza, Perodua unveiled a facelift for the Viva Elite and also the Myvi Exclusive Edition, launched in July and October 2009, respectively.

A sum of RM300 million was invested in the development of the Perodua Alza. Another RM13 million was invested on the opening of new service branches. Parts worth RM3 billion were also purchased from local vendors.

For the third consecutive year, the Perodua Myvi was ranked highest in the Compact Car segment in the 2009 Malaysia Initial Quality Study conducted by J.D. Power Asia-Pacific. The Perodua Viva was awarded the 2009 Frost & Sullivan Best Value for Money Award for the second consecutive year, and Perodua retained 11th position in Malaysia's 30 Most Valuable Brands 2009.



The new Perodua Alza was unveiled in November

#### **EQUIPMENT**

##### **HEAVY EQUIPMENT**

The second stimulus package introduced by the Malaysian Government, worth RM60 billion, as well as increased activities in the timber and mining sectors, had a positive impact on the Heavy Equipment group.

The group continued to enjoy strong market share for Komatsu products in Malaysia, Papua New Guinea and Myanmar.

In 2009, the Rosenbauer Panther CA5, supplied by UMW Equipment Sdn. Bhd. ("UMW Equipment"), made its debut in Malaysia at the Kerteh Airport. This followed a successful introduction of the product in the United States, Europe and other parts of Asia. Previously, UMW Equipment had supplied nine (9) units of the older Panther DD series to Malaysia Airports Holdings Berhad and Tentera Udara DiRaja Malaysia airports/bases in East and West Malaysia.

## INDUSTRIAL EQUIPMENT

UMW Industries (1985) Sdn. Bhd. ("UMW Industries") continued to maintain its dominance as Malaysia's leading material handling equipment company with more than 60% market share in the forklift business. The company represents some of the world's most recognised brands in industrial equipment: Toyota material handling equipment, BT & Raymond warehouse trucks, Tennant industrial sweepers, scrubbers, and many more.

In 2009, UMW Industries launched BT Reflex, the new Reach Truck that was designed to achieve the highest standards of safety, productivity, driveability and durability. Ideal for the modern warehouse, BT Reflex Reach Truck is most applicable where productivity, safety and manoeuvrability are paramount.

UMW Industries was awarded the Undisputed Performance Award by Toyota Material Handling International for its outstanding performance. It is also the first and only company in the world to achieve a Diamond Membership status in the prestigious Toyota Material Handling International ("TMHI") Premier Club.

UMW Industrial Power Sdn. Bhd. ("UMW Industrial Power") increased market share in marine engines by 5%, from 15% in 2008 to 20% in 2009. The increase can be largely attributed to the growth in sales of Mitsubishi marine and generator set engines. Overall sales of this product doubled compared to 2008.

## SINGAPORE EQUIPMENT OPERATIONS

UMW Equipment & Engineering Pte. Ltd. ("UEEPL") continued to strengthen its market position in 2009. For the first time, Toyota Industrial Equipment achieved more than 50% market share in Singapore.

Strong emphasis was placed on opportunities in parts and services and the company actively promoted the Easy Ownership sales programmes to its customers. This yielded positive results.



BT Reach Truck



GE Marine Engine

UEEPL received a commemorative plaque for winning the TMHI Parts Award. The Distinguished Defence Partner Award was also given to UEEPL for the third consecutive year, for the company's strong business relationship with Singapore's National Defence.

## MANUFACTURING & ENGINEERING

The Manufacturing & Engineering ("M&E") Division showed moderate growth in 2009, with total revenue registering a 4.1% increase over 2008. The challenges faced in 2009 saw the Division refocus strategy in not only price repositioning and implementation of lean production processes, but also in refreshing its brand and technology ownership acquisition, going forward. This strategy is expected to substantially boost the Division's performance, commencing 1st Quarter 2010.

## UMW ADVANTECH SDN. BHD.

The automotive components business was affected by a drop in Total Industry Volume ("TIV") of the domestic car market in 2009. During the same period, as part of a strategic focus on core automotive component manufacture, the company divested its fabrication business, thereby providing opportunities to refocus on the more profitable automotive component manufacturing sector.

UMW Advantech Sdn. Bhd. holds the No.1 position in the OEM CKD filter supply sector and is a major supplier of filtration products to Proton and Perodua. Following the introduction in 2008 of new high technology products such as engine covers and brake reservoirs, the company secured OEM orders for the supply of plastic cam covers for the Perodua Myvi and the Perodua Viva, production for which started in September and went full-steam in December. This new business is expected to contribute favourably to the company's revenue and profitability.



Model of Lubritech's state-of-the-art lubricant blending plant in China

Generally speaking, 2009 was a period of consolidation for the company, with the implementation of relevant aspects of the Toyota Production System in the 3rd Quarter, leading to increases in quality and cost reduction.

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

The companies manufacture and supply Pennzoil lubricant products to the passenger car market as well as to institutional and government sectors.

Although sales grew by 8%, profitability was impacted by the generally-depressed market conditions, coupled with price hikes in base oil. This led to a focus on process flows and price positioning strategies which resulted in a healthy growth in margins in the 4th Quarter, despite the sluggish market performance in 2009. The company achieved a 14% share of the high-street lubricant market in Malaysia, and this is growing.

Pennzoil's participation in the Malaysian Rally Championship 2009 provided continued endorsement for our products, with better brand penetration.

**KYB-UMW MALAYSIA SDN. BHD./  
KYB-UMW STEERING MALAYSIA SDN. BHD.**

KYB-UMW Malaysia Sdn. Bhd. ("KYB-UMW") and KYB-UMW Steering Malaysia Sdn. Bhd. ("KYB-UMW Steering") continued to be the largest shock absorber and power steering pump manufacturers in the country, respectively. Both KYB-UMW and KYB-UMW Steering are market leaders in the original equipment markets.

Although KYB-UMW's sales dropped marginally from 2009, PBT improved by 11%, while KYB-UMW Steering's profit was affected by the lower TIV in the domestic car market in 2009.

As part of the lean manufacturing initiative, the group successfully implemented the Pull Production System during the year, resulting in cost improvement as well as reducing inventory by RM14.1 million.

KYB-UMW successfully launched the "RS Pro Performance Suspension" in June 2009. The new product caters to the growing niche market of motorsport enthusiasts.

Driven by quality, KYB-UMW continued to receive TS16949:2002 certification, ISO 9001:2000 by NQA and ISO14001:2004 by Moody International.

**COLDFUSION ENGINEERING SDN. BHD.**

In 2009, Coldfusion Engineering Sdn. Bhd. ("Coldfusion Engineering") went into full pre-production mode from its new facility in Penang, marking the Division's breakthrough into the non-automotive sector. A milestone development, this is a business in its prime, being the first commercial Low Temperature Co-fired Ceramics ("LTCC") and Advanced Packaging facility, providing total module solutions in South East Asia.

The company has the ability to provide full turnkey services from design to final manufacture at the substrate and package level based on the LTCC technology framework. The potential client market for LTCC technology components is substantial. Large industry players have typical production run requirements ranging from 0.5 million to 1.0 million pieces per month.

Coldfusion Engineering is being prepared to go live into production mode from 1st Quarter 2010.

**SATHYA AUTO PRIVATE LIMITED/  
CASTWEL AUTOPARTS PRIVATE LIMITED/  
UMW DONGSHIN MOTECH PRIVATE LIMITED, INDIA**

The Group's joint ventures in India are involved in automotive parts manufacturing. The companies manufacture stamped automotive body parts, aluminum gravity die castings, aluminum alloys, water pump body, mechanical jacks, radiator caps, and other related parts. These investments are expected to broaden the Division's income base, aided by the robust growth of the Indian automotive market, as well as enable additional growth in the Indian automotive export market. Building partner presence in India offers immense potential for further expansion, particularly since India is poised to become a global hub for small car manufacturing.



Official opening of Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. in China by YAB Dato' Sri Mohd. Najib bin Tun Haji Abdul Razak, Prime Minister of Malaysia

The UMW Oil & Gas Division complements the important upstream activities of the Oil & Gas Industry in five (5) key areas : Manufacture of oil country tubular goods ("OCTG") and line pipes, oil and gas exploration operations, fabrication of oil and gas and other structures, provision of oilfield services and supply of oilfield products.

With headquarters in Kuala Lumpur, the UMW Oil & Gas Division has operations across the Asia-Pacific region and Turkmenistan.

In 2009, decreased drilling activities worldwide resulted in a drop in demand for OCTG and drilling services from international markets. However, the outlook for the Oil & Gas sector is expected to improve in 2010, with more exploration and drilling ventures by the major oil companies.

**MANUFACTURE OF OCTG AND LINE PIPES**

**ZHONGYOU BSS (QINHUANGDAO) PETROPIPE CO., LTD., CHINA**

In 2009, Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. ("Zhongyou BSS") started commercial production of Submerged Arc Welded ("SAW") steel pipes, which include Longitudinal-Submerged Arc Welded ("Longitudinal-SAW") and Spiral-Submerged Arc Welded ("Spiral-SAW") steel pipes in large diameter.

In its first year of production, Zhongyou BSS manufactured 127,473 metric tonnes of Spiral-SAW pipes and 88,687 metric tonnes of Longitudinal-SAW pipes.

Zhongyou BSS was also accredited ISO9001:2000 in its first year of operations.

**SHANGHAI BSW PETRO-PIPE CO., LTD., CHINA**

Shanghai BSW Petro-pipe Co., Ltd.'s ("Shanghai BSW") principal activities are in the manufacturing of Spiral Submerged Arc Welded pipes and provision of external and internal coating for OCTG line pipes.

184,802 metric tonnes of line pipes were manufactured in 2009. Coating for line pipes increased to 155,083 metric tonnes in 2009. The increases were due to several projects, the major one being the 2nd West-East Gas Pipeline Project from Kazakhstan to Shanghai, China.

For its operational excellence, Shanghai BSW received the Certificate of Authority to use the Oilfield API Monogram issued by the American Petroleum Institute. The company also obtained certification in ISO9001.

Awards received by the company include the Excellent Supplier Award, Excellent Coating Enterprise Award and Excellent Pipe Making Enterprise Award.

**WSP HOLDINGS LIMITED, CHINA**

WSP Holdings Limited ("WSP"), listed on the New York Stock Exchange, is a leading manufacturer of OCTG, comprising seamless casings, tubings and drill pipes used for oil and natural gas exploration, drilling and extraction. Based in China, the company also produces other pipes and connectors.

Decreased drilling activities worldwide resulted in a significant drop in demand for OCTG and drilling services from the international markets, and consequently, there was excess supply in the domestic markets.

With 13 threading lines, two (2) drill pipe production lines, one (1) inspection line and two (2) steel billet factories, the company is capable of large-scale production.



As of December 2009, the company was able to achieve 924,000 metric tonnes per annum of finished production capacity. Total sales volume of 480,091 metric tonnes was achieved in 2009. This was a significant reduction from last year's figures. The company's profitability was affected by the imposition of countervailing and anti-dumping duties on seamless pipes made in China by the United States of America.

#### **UNITED SEAMLESS TUBULAR PRIVATE LIMITED, INDIA**

Construction of the new plant near Hyderabad, India, was in full swing in 2009. The plant, with a production capacity of 300,000 metric tonnes per annum, is now ready with all major equipment on site.

Plant commissioning is now in progress and commercial operations are expected to commence in the second half of 2010.

Potential billet suppliers and major distributors in the respective states have been identified.

#### **PT TPCO PAN ASIA, INDONESIA**

This joint venture company set up a plant in Batam, Indonesia, to provide heat treatment and end-finishing of OCTG pipes. The plant has an annual production capacity of 100,000 metric tonnes.

Phase 1, which involved threading operations, commenced in October 2009 and Phase 2, involving heat-treatment operations, started in April 2010.

#### **OIL & GAS EXPLORATION OPERATIONS**

##### **UMW JDC DRILLING SDN. BHD.**

UMW JDC Drilling Sdn. Bhd. ("UMW JDC Drilling") provides contract offshore drilling and other engineering services in the area of oil and gas exploration, development and production. In 2009, UMW JDC Drilling achieved higher revenue of USD36.9 million.

NAGA 1, the company's semi-submersible rig, continued its drilling operations for the project with Petronas Carigali Sdn. Bhd. 14 out of 20 contractual wells were completed by the end of 2009. Two (2) wells with Conson JOC (Vietnam) and one (1) well with Petronas Carigali, Myanmar were also completed in the same year.

NAGA 1 clocked 365 working days in Malaysia and Vietnam, and achieved 3 million man-hours or nine (9) years without lost time incident. For its outstanding performance, the company received awards and recognition from the International Association of Drilling Contractors and Petronas.

##### **UMW STANDARD DRILLING SDN. BHD.**

UMW Standard Drilling Sdn. Bhd. ("UMW Standard Drilling") was a 51% : 49% joint venture between UMW and Standard Drilling ASA of Norway, respectively. In late 2009, UMW acquired the entire remaining 49% stake in UMW Standard Drilling, thus making the latter a wholly-owned subsidiary of UMW. By the end of 2009, UMW assumed full control over the marketing aspects and operations of the jack-up rigs, NAGA 2 and NAGA 3. UMW also now has added flexibility to make strategic decisions with regard to the two (2) rigs.

UMW Standard Drilling took delivery of NAGA 2 late last year. Negotiations are currently in progress with interested parties to lease the rig. NAGA 3 is currently in the advanced stages of construction and is expected to be delivered to us before the middle of 2010. We have also commenced negotiations with certain parties on the leasing of NAGA 3.

Both 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. These ultra-premium jack-ups deliver higher drilling performance compared to older jack-ups. We expect both ultra-premium, state-of-the-art jack-up rigs to be in operation in the second half of 2010.

##### **JAYBEE DRILLING PRIVATE LIMITED, INDIA**

Our onshore drilling rig, Sher 1, successfully completed its project for Geo Enpro in 2009. This rig will be mobilised for a new customer in the second half of 2010.

Sher 2 has an ongoing contract with Oil India, up to September 2011.

A contract has been finalised for Sher 3 with Hindustan Oil Exploration Corporation, commencing June 2010.

#### **FABRICATION OF OIL & GAS AND OTHER STRUCTURES**

##### **VINA OFFSHORE HOLDINGS PTE. LTD., SINGAPORE**

Vina Offshore Holdings Pte. Ltd. ("Vina Offshore") specialises in the procurement and supply of material and equipment, construction of process skids and modules, steel structures, process piping, and supply and inspection services for lifting accessories and equipment.

Vina Offshore entered into a joint venture with SWG International Holdings Pte. Ltd., Australia to form UMW Deepnautic Pte. Ltd. and UMW Deepnautic Sdn. Bhd. in 2009. The joint venture allows the companies to scale upstream and offer comprehensive services, including engineering, fabrication, offshore installation and commissioning services.

### **OFFSHORE CONSTRUCTION SERVICES PTE. LTD., SINGAPORE**

Offshore Construction Services Pte. Ltd. ("Offshore Construction") provides general engineering and fabrication services to the marine and offshore industry. The 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.

In 2009, Offshore Construction secured projects with IHC and Allseas Group, and purchased more equipment to reduce reliance on manpower and to improve quality.

The company was awarded the SME Growth Excellence Recognition 2009 for being the Top Internationalising SME and one of the Most Promising Enterprises.

### **UMW FABRITECH SDN. BHD.**

The company acquired a piece of land in Lumut, Perak, for development as a fabrication yard. The yard is now being prepared to cater for business potential in the fabrication sector. We are now in the process of integrating our joint capabilities in Malaysia, Singapore and Vietnam into one common entity, to achieve group synergies and higher levels of efficiency.

### **PROVISION OF OILFIELD SERVICES**

#### **UMW OILPIPE SERVICES SDN. BHD.**

UMW Oilpipe Services Sdn. Bhd. ("UMW Oilpipe Services") specialises in the threading of OCTG and the manufacturing of couplings and accessories. The company's plant in Labuan is the largest premium threading plant in Malaysia.

A market leader in OCTG threading in Malaysia, UMW Oilpipe Services has retained 70% market share in East Malaysia for the past two (2) years.

The company continued to engage in research and development, as well as sales and promotion initiatives. The company saw an improvement in profit mainly due to additional capacity from plant expansion. On 10 May 2010, the company opened its West Plant, which together with the existing East Plant, will enable a combined overall production capacity of 80,000 metric tonnes per annum. The new West Plant will enable the company to cater to the requirements of its customers more efficiently.

In 2009, the total number of connections threaded was 29,836 joints.

#### **UMW OILFIELD SERVICES (TIANJIN) CO., LTD., CHINA**

UMW Oilfield Services (Tianjin) Co., Ltd. ("UOS Tianjin") provides OCTG premium connections, accessories,

threading as well as perforated pipes drilling services. The core strength of the company lies in its comprehensive and high-quality product range and services.

Increase in local content, a wider customer network coupled with new business development, strict cost control on all imports and a comprehensive replacement scheme resulted in higher revenue and profitability in 2009.

In 2009, the company threaded 12,495 connections and widened its business scope to equipment sales and marketing. This included the sale and marketing of Konecranes products in China.

### **UMW OILPIPE SERVICES (TURKMENISTAN) LTD., TURKMENISTAN**

This company provides tubular inspection, repair and maintenance services to Petronas Carigali Turkmenistan's Exploration/Appraisal Drilling Programme. The company's performance in 2009 was satisfactory.

### **SHANGHAI TUBE-COTE PETROLEUM PIPE COATING CO., LTD., CHINA**

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.'s ("STPPC") principal activity is in the provision of internal and external coating for drill pipes, tubings, casings and other related products.

The company, together with four (4) associated companies, penetrated the Chinese market and achieved a market share of about 70%.

In 2009, STPPC bought new blasting equipment to increase production capacity by 1.5 metres in length, with lower downtime, less wastage and final products of higher quality.

Routine maintenance of plant and machinery was conducted regularly to reduce incidents of machine breakdown and idle time, thus allowing the company to achieve a higher first time QC pass rate and zero rework.

In 2009, STPPC coated 24,974 metric tonnes of pipes and produced 1,692 metric tonnes of hardband service. The company continued to focus on increasing its income stream from tubing products. The company also reviewed and implemented cost control measures at each part of the production workflow to reduce production costs.

### **UMW PETRODRIL (MALAYSIA) SDN. BHD.**

UMW Petrodril (Malaysia) Sdn. Bhd.'s ("UMW Petrodril") primary business is in the provision of hydraulic workover units ("HWUs") and services which involve remedial works to existing wells to enhance the production of hydrocarbon.

Currently, UMW Petrodril owns and operates four (4) HWUs, namely UP GAIT I, UP GAIT II, UP GAIT III and UP GAITV. Under UP GAIT III, the company offers and markets an umbrella package comprising the HWU, a support workbarge, GULFDRILL 9 and the pedestal platform crane on an integrated basis.

UMW Petrodril is also the agent for a variety of offshore drilling and workover-related products and services, such as Dril-Quip's deepwater subsea production equipment, Duoline Glass Reinforced Epoxy (GRE) Liner and Well Flow's casing accessories.

In 2009, UMW Petrodril entered into a joint venture with Snubco Pressure Control International Ltd. of Canada to form UMW Pressure Control Sdn. Bhd. UMW Petrodril has 51% equity in this new company which provides gate valve milling and other various pressure control services in Malaysia and the region.

UMW Petrodril was able to achieve better profitability in 2009, mainly from better margins from workover services. In addition, HWUs such as UP GAIT II and UP GAIT III were operating fulltime for Petronas Carigali Sdn. Bhd. offshore Peninsular Malaysia and East Malaysia, respectively.

#### **SYNERGISTIC GENERATION SDN. BHD.**

Synergistic Generation Sdn. Bhd. is a total power solutions provider and this includes packaging for diesel and gas generator sets. The company also provides total after-sales and gas services activities to customers through its nationwide branches.

The company achieved improvement in revenue and profit in 2009 through continuous research and development, implementation of Client Focus initiatives and aggressive market expansion in the region.

There was positive feedback from clients regionally, and the company received the Enterprise 50 Award in 2009 for the second consecutive year. It also received the Asia-Pacific Entrepreneurship Award (APEA) for Most Promising Entrepreneurship in 2009.

#### **SUPPLY OF OILFIELD PRODUCTS**

##### **PFP HOLDINGS PTY. LTD., AUSTRALIA**

PFP Holdings Pty. Ltd. ("PFP Holdings") and its group of companies are international suppliers of pipes, flanges and fittings to the oil and gas and mining sectors. The group has operations in Australia, Singapore, Malaysia, China and Taiwan.

In 2009, the Group divested its stake in Cladtek International Group of companies, selling the operations in Australia and Indonesia to the minority shareholder.

During the year, PFP Holdings added a range of stainless steel products to the business and higher profit was achieved.

Currently, the Australian operations hold significant market share in the carbon steel and stainless steel markets.

##### **UMW OILFIELD INTERNATIONAL (M) SDN. BHD./UMW OILFIELD INTERNATIONAL (L) LTD.**

The principal activities of the companies are the marketing, import, export and distribution of equipment and component parts, provision of technical support, consultancy services and general services related to the Oil & Gas Industry.

The companies played a supporting role to the Oil & Gas Division by promoting products that are manufactured within the Group. The companies also assisted in internal procurement and logistics. Performance registered an improvement over that of 2008.



UMW JDC Drilling Sdn. Bhd. and UMW Drilling Co., Ltd. are joint recipients of "Company of The Year" at the CEO Awards 2009

#### **NON-CORE BUSINESSES**

UMW-PNSB Development Sdn. Bhd. ("UMW-PNSB"), a subsidiary in the Group, is awaiting approval from the Selangor State Government to convert and subdivide part of its land in Serendah into industrial lots. The construction of a new internal road and widening of the existing road at the proposed industrial site was completed during the year. In 2009, UMW-PNSB sold a 20-acre piece of industrial land to a local company for the purpose of logistics warehousing. UMW-PNSB continues to market some of its land to potential buyers.

The Group has a number of non-core businesses which play a supporting role in the Group's operations and they are Toyota Capital Malaysia Sdn. Bhd., U-Insurance Sdn. Bhd., U E-Technologies Sdn. Bhd., Inobel Sdn. Bhd. and U-TravelWide Sdn. Bhd. The performance of these companies was generally satisfactory.

# CORPORATE GOVERNANCE STATEMENT

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)



The Group's emphasis on corporate governance was well rewarded when UMW was ranked Top 5 of Malaysia's Most Admired Companies by the Wall Street Journal Asia in their 2009 Asia 200 Survey. UMW also ranked Top 3 in the Quality category and Top 5 in the Corporate Reputation and Innovation categories. The survey, which culminated with the award received in Beijing, China, on 29 October 2009, confirmed the Group's excellence, as a publicly-traded company, in the following areas -

- Management's long-term vision;
- Good corporate governance and social responsibility;
- Innovativeness in responding to customer needs;
- Quality products and services; and
- Financial reputation.

The Group continued to receive due recognition for its excellence in governance in the year under review. At the Malaysian Business - CIMA Enterprise Governance Awards 2009, the Group was presented with two awards, i.e., in the Corporate Social Responsibility Category and an overall Merit Award.

Having achieved the above accolades, the Board of Directors ("the Board") remains resolute and reiterates its full commitment and continued support for the highest standards of corporate governance. The governance framework adopted by the Group is formulated based on the principles and best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) ("the Code"). It is reflective of good corporate governance best practices set out in the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities") in June 2009. As a publicly-traded Government-Linked Company ("GLC"), the Group is guided by the Main Market Listing Requirements of Bursa Securities ("Bursa Securities MMLR") and the Green Book on "Enhancing Board Effectiveness" as part of the GLC Transformation Programme, as well as international best practices.

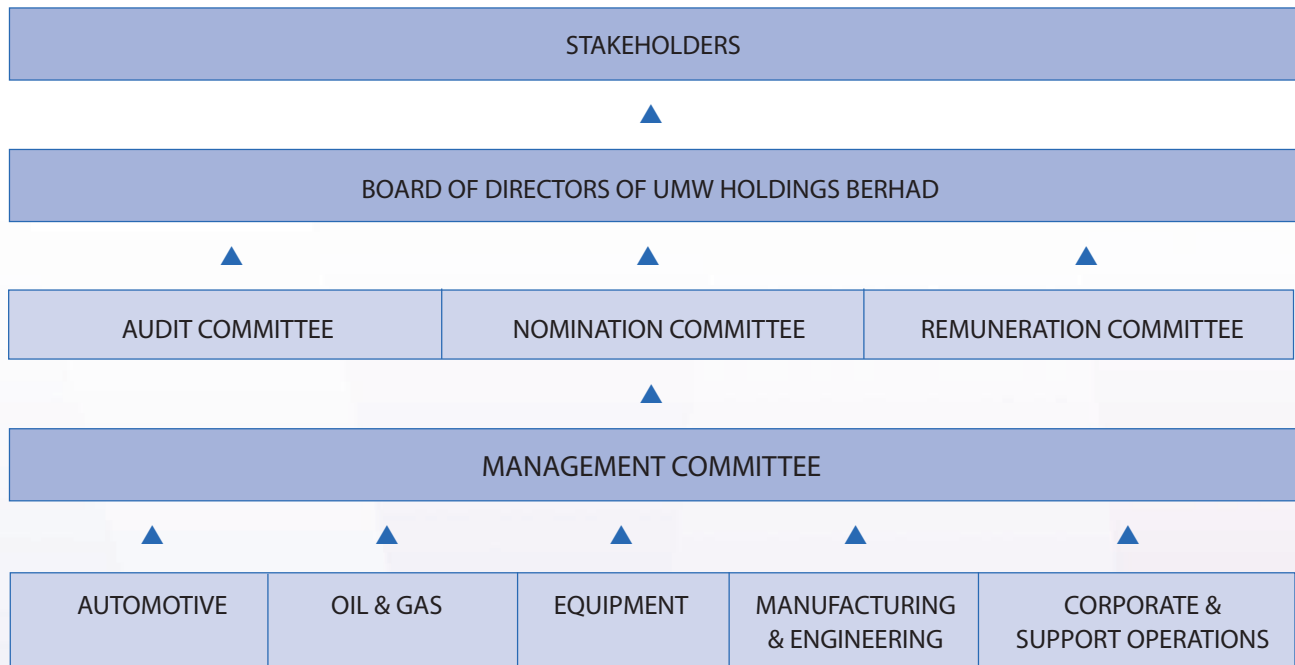
The Board also subscribes to internal guidelines on Corporate Disclosure Policies and Procedures based on the best practices recommended by Bursa Securities, to provide the Group with appropriate guidance in discharging its disclosure obligations and to ensure that the Group moves beyond making the minimum mandatory disclosure requirements. As the Group has significant presence in the countries it operates, it abides by the guidelines of the relevant regulators and authorities.

Over the years, market anticipation and interpretation of corporate governance have evolved beyond transparency, accountability and integrity. The Board will continue to review and deliberate on the corporate governance framework as and when required.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### GOVERNANCE FRAMEWORK



### COUNTRIES OF UMW'S OPERATIONS

- Australia
- China
- Hong Kong
- India
- Indonesia
- Malaysia
- Myanmar
- Oman
- Papua New Guinea
- Singapore
- Taiwan
- Thailand
- Turkmenistan
- Vietnam

This Statement on Corporate Governance serves to outline how the Group has applied the principles and best practices set out in the Code.

### BOARD OF DIRECTORS

The Board is the pillar of the Group's corporate governance practices and oversees how the management serves and protects the long-term interests of stakeholders. The Board provides strategic direction, oversees the investment of the Group and guides the Group in promoting its core values, policies and objectives. The Group believes that an active, well-informed and independent Board is necessary in ensuring sound corporate governance practices which are pre-requisites towards the Group's continued growth, success and excellent reputation.

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### **Board Composition and Balance**

As at 31 December 2009, the Board had eight (8) members, comprising seven (7) Non-Executive Directors, including the Chairman, and one (1) Executive Director designated as President & Group CEO.

Three (3) of the Board members are Independent Directors and they represent minority shareholders' interests in the Company. The number of Independent Directors complies with the requirements of the Bursa Securities MMLR, which states that at least three (3) members or one-third of the Board shall be Independent Directors. They also fulfill the criteria of independence as defined in the Bursa Securities MMLR. Their presence provides a check and balance in the discharge of the Board function. Independent Directors' views carry significant weight in all Board deliberations and decision-making. All Independent Directors act independently of management and do not participate in any business dealings and are not involved in any other relationship with the Group that may impair their independent judgment and decision-making.

The Board is made up of industry leaders from diverse sectors and backgrounds such as legal, accounting and finance, engineering, business management, public administration and also in the Group's core businesses.

The size and composition of the Board are reviewed from time to time. Up to the date of this annual report, the number and composition of Board remain unchanged. The profile of each Director is set out in the Directors' Profile on pages 12 to 15 of this annual report.

### **Directors' Code of Ethics and Board Charter**

The Directors' Code of Ethics was adopted by the UMW Board on 21 August 2009. The principles on which the code relies are those that concern transparency, integrity, accountability and corporate social responsibility. In the case of UMW, being a GLC, the code complements the main policy thrusts of the GLC Transformation Manual launched on 29 July 2005 by the Putrajaya Committee of GLC High Performance. This code has been adapted from the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia and the Companies Act, 1965.

The Board Charter is aimed at ensuring that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of, the Company. In pursuit of the ideals in this Board Charter, the intention is to exceed "minimum legal requirements" with due consideration to recognised standards of best practices locally and internationally.

The Directors of all operating subsidiaries in the Group constantly adhere to the Code of Ethics and Board Charter which provide guidance to Directors to recognise and deal with ethical issues, provide mechanisms to report unethical conducts, and help foster a culture of honesty and accountability.

### **Board Responsibility**

The responsibility in governing, guiding and monitoring the entire performance of the Group rests entirely on the Board. Except for matters reserved for shareholders, the Board is the ultimate decision-making body of the Group.

The Board has established clear separation of duties and responsibilities between the Chairman and the President & Group CEO to ensure a clear segregation of responsibility and accountability, proper balance of authority and greater capacity for independent decision-making. The clear division of responsibilities allows the Chairman to assume the formal role of an independent leader in setting the policy framework of the Company and effective conduct of the Board. He ensures and facilitates flow of information between management and the Board and that information relating to issues on the agenda is disseminated to all Directors well before deliberation at Board meetings. The Chairman

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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 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 on 20 February 2001. At Annual General Meetings and other shareholders' meetings, the Chairman plays a pivotal role in accommodating constructive dialogue between shareholders, the Board and management.

The President & Group CEO, Dato' Abdul Halim bin Harun, heads the Management Committee, the highest management body in the Group. He is accountable to the Board and ultimately to the shareholders. He 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 President & Group CEO is under the control of the Board and is responsible for communicating matters relating to the Group's business affairs and issues 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.

### **Senior Independent Non-Executive Director**

The Audit Committee Chairman, 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 by shareholders and other stakeholders. He has the role of supporting the Chairman in ensuring all Independent Directors have an opportunity to provide their views and comments on the affairs of the Group.

### **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, whilst management and third parties are co-opted to the committees as and when required. With regard to risk management, the Management Committee assumes the role of the Risk Management Committee. Reports of proceedings and outcome of various committee meetings are submitted to the Board.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The composition of the Board committees and the attendance of members at such committee meetings in the year under review, were 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
Dr. Leong Chik Weng	Member <i>(Independent Non-Executive Director)</i>	6/6
Dato' Mohd. Nizam bin Zainordin	Member <i>(Non-Independent Non-Executive Director)</i>	6/6
Dato' Ir. Lee Yee Cheong <i>(retired on 25/06/2009)</i>	Member <i>(Independent Non-Executive Director)</i>	3/4

### Nomination Committee

Members	Position	Attendance at Meetings
Tan Sri Datuk Asmat bin Kamaludin <i>(appointed as member and Chairman on 05/06/2009)</i>	Chairman <i>(Non-Independent Non-Executive Director)</i>	3/3
Tan Sri Dato' Mohamed Noordin bin Hassan	Member <i>(Independent Non-Executive Director)</i>	4/5
Dato' Siow Kim Lun @ Siow Kim Lin <i>(appointed as member on 24/07/2009)</i>	Member <i>(Independent Non-Executive Director)</i>	1/2
Dato' Ir. Lee Yee Cheong <i>(retired on 25/06/2009)</i>	Member <i>(Independent Non-Executive Director)</i>	2/2
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani <i>(resigned as member on 24/07/2009)</i>	Member <i>(Non-Independent Non-Executive Director)</i>	1/3

### Remuneration Committee

Members	Position	Attendance at Meetings
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	Chairman <i>(Non-Independent Non-Executive Director)</i>	6/6
Dr. Leong Chik Weng	Member <i>(Independent Non-Executive Director)</i>	6/6
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani <i>(appointed as member on 24/07/2009)</i>	Member <i>(Non-Independent Non-Executive Director)</i>	1/2
Dato' Haji Darwis bin Mohd. Daid <i>(resigned on 23/04/2009)</i>	Member <i>(Non-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.



## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### Board Meetings

The Board meets six (6) times a year on a scheduled basis with additional meetings convened as Special Board meetings as and when situations require urgent deliberation and decision of the Board. In the year under review, a total of nine (9) 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, prevailing economic issues, risk management, strategies and direction, and standards of conduct and compliance by the Group.

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.

During the year under review, all Directors complied with Paragraph 15.05 (3)(c) of Bursa Securities MMLR which states that the office of a Director will become vacant if the Director is absent from more than fifty percent (50%) of the total Board meetings held during a financial year.

Details of attendance of Board members are set out below -

Directors	Attendance at Board Meetings	
	Attendance/No. of Meetings Held	Percentage of Attendance
<b>Non-Independent Directors</b>		
Tan Sri Datuk Asmat bin Kamaludin <i>Group Chairman (Non-Executive)</i>	9/9	100%
Dato' Abdul Halim bin Harun <i>President &amp; Group CEO (Executive)</i>	9/9	100%
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid <i>(Non-Executive)</i>	9/9	100%
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani <i>(Non-Executive)</i>	5/9	55%
Dato' Mohd. Nizam bin Zainordin <i>(Non-Executive)</i>	9/9	100%
Dato' Haji Darwis bin Mohd. Daid <i>(Non-Executive) (resigned on 23/04/2009)</i>	2/2*	100%
<b>Independent Directors</b>		
Tan Sri Dato' Mohamed Noordin bin Hassan <i>(Non-Executive)</i>	7/9	78%
Dr. Leong Chik Weng <i>(Non-Executive)</i>	9/9	100%
Dato' Siow Kim Lun @ Siow Kim Lin <i>(Non-Executive) (appointed on 10/07/2009)</i>	4/4*	100%
Dato' Ir. Lee Yee Cheong <i>(Non-Executive) (retired on 25/06/2009)</i>	3/4*	75%

Note: \* Reflects the number of meetings held during the time the Director held office.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Date of Board Meeting	Non-Independent Directors	Independent Directors	Total Attendance#
25/02/2009	5	3	8/9 89%
22/04/2009	6	3	9/9 100%
20/05/2009	4	3	7/8 88%
06/06/2009	4	1	5/8 63%
25/06/2009	5	1	6/7 86%
21/08/2009	5	3	8/8 100%
22/10/2009	4	3	7/8 88%
20/11/2009	5	3	8/8 100%
16/12/2009	5	3	8/8 100%

Note: # Based on the total number of Directors at the time each meeting was held.

### Supply of Information

The Board has direct access to the management. Thus, the Board has unfettered and complete access to information pertaining to the Company's business and affairs necessary for the effective discharge of its responsibilities. Management is responsible for providing the Board with timely, accurate and quality information and in a form and manner appropriate for the Board to discharge its duties effectively.

All Directors are provided with comprehensive management reports and proposal papers at least five (5) working 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 additional insights and 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 make presentations on proposal papers and brief/update Board members on operational issues from time to time to enable Directors to discharge their duties more effectively.

### Company Secretary

The Directors have direct access to the advice and services of the Company Secretary. In the case of UMW, the Company Secretary is an Executive Director of UMW Corporation Sdn. Bhd., a wholly-owned subsidiary, which provides full corporate, administrative, professional, security services and financial support to the Group. Her seniority, experience and group-wide knowledge are instrumental in serving the Group's governance needs. The Company Secretary serves and advises the Board on matters relating to statutory and regulatory requirements, particularly pertaining to the duties and responsibilities of the Board and individual Directors. She ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. While assisting the Chairman and Directors in the conduct of meetings and their directorial and governance obligations and responsibilities, the Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees and management. To ensure thorough monitoring of good governance throughout the Group, the Company Secretary is adequately assisted by a team of qualified governance staff from the Group Secretarial Division.

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### **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 memberships. In addition, the Committee also reviews for recommendation to the Board, the appointment, dismissal, transfer and promotion of senior management staff of the Group.

The responsibility of 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, corporate culture and nature of business, corporate strategy, current issues and the long-term targets of the Group. Dato' Siow Kim Lun @ Siow Kim Lin attended such induction programme held on 9 July 2009, immediately prior to his appointment to the Board.

### **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 for improvement, if necessary.

Under normal circumstances, the Chairman of the Nomination Committee evaluates the performance of the Chairman of the Board 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. However, during the year under review, the Chairman, Tan Sri Datuk Asmat bin Kamaludin, was appointed Chairman of the Nomination Committee in place of Dato' Ir. Lee Yee Cheong. Hence, his performance as Chairman of the Board was evaluated by the other members of the Nomination Committee.

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 ("MAP") prescribed by Bursa Securities for Directors of listed companies. Bursa Securities MMLR requires a newly-appointed Director of a listed company to attend the MAP within four (4) months after his appointment. Prior to his appointment on the Board in the year under review, Dato' Siow Kim Lun @ Siow Kim Lin had attended the MAP organised by another listed company, in which he is a Board member.

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, current commercial issues 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 being 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.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Members of the Board have attended various training programmes in areas of leadership, legal, 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 2009 are as follows -

<b>Name of Director</b>	<b>Training Programme Attended</b>	<b>Date Held</b>	<b>Co-ordinator</b>	<b>Total</b>
Tan Sri Datuk Asmat bin Kamaludin	FRS 139 Financial Instruments: Recognition and Measurement	10/02/2009	PricewaterhouseCoopers	1
Dato' Abdul Halim bin Harun	IMD - Business Forum - Leading Change in Times of Uncertainty	24/03/2009	IMD International	1
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	MINDA Breakfast Talk: Enhancing Board Effectiveness in a Turbulent Environment	21/04/2009	MINDA	8
	5th Asia Pacific Audit & Governance Summit	02/06 - 06/06/2009	Columbus Circle	
	Corporate Governance Summit 2009 - Truth, Lies and Corporate Governance	28/09 - 29/09/2009	MICG, FPLC and Asian World Summit	
	Khazanah Megatrend - Apocalypse Averted? Reconfiguring the New Normal	05/10 - 06/10/2009	Khazanah Nasional Berhad	
	CEO's Roundtable with Sir John Bond, Chairman of Vodafone Group - The Creation of a Global Company and its Pitfalls - Leadership Matters	21/10/2009	MINDA and Khazanah Nasional Berhad	
	Khazanah Global Lecture with Sir John Bond, Chairman of Vodafone Group - Development in a Changing World	21/10/2009	Khazanah Nasional Berhad	
	Majlis Syarahan Perdana under " Eminent Persons Lecture Series " - Asia and the 21st Century	16/11/2009	Asia-Europe Institute, University Malaya	

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

<b>Name of Director</b>	<b>Training Programme Attended</b>	<b>Date Held</b>	<b>Co-ordinator</b>	<b>Total</b>
	PTD Alumni 2009 Economic Forum Programme	19/11/2009	Persatuan Alumni Pegawai Tadbir & Diplomatik	
Tan Sri Dato' Mohamed Noordin bin Hassan	Corporate Governance Summit 2009 - Truth, Lies and Corporate Governance	28/09 - 29/09/2009	MICG, FPLC and Asian World Summit	1
Dr. Leong Chik Weng	The Non-Executive Director Development Series (NEDDS) - Is it worth the risk?	08/04/2009	PricewaterhouseCoopers/ SIDC	1
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	Third Thailand Islamic Finance Conference	26/03 - 27/03/2009	Zaid Ibrahim & Co.	7
	Upcoming Changes in Capital Market Regulations	03/04/2009	Zaid Ibrahim & Co.	
	The Position of Syariah Compliance in Islamic Banking & Finance Instruments in light of recent case law	24/04/2009	Zaid Ibrahim & Co.	
	Qatar Law Forum - Islamic Finance	29/05 - 31/05/2009	Government of Qatar	
	Islamic Banking: Practice & Procedure	11/06/2009	Zaid Ibrahim & Co.	
	Overview of the new Securities Commission and Bursa Fund Raising Framework and Board Structure	16/07/2009	Bank Negara Malaysia	
	Deloitte Taxmax 35th Series - Budget Changes	29/10/2009	Deloitte Tax Academy	
Dato' Siow Kim Lun @ Siow Kim Lin (appointed on 10/07/2009)	Corporate Governance Summit 2009 - Truth, Lies and Corporate Governance	28/09 - 29/09/2009	MICG, FPLC and Asian World Summit	1

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
Dato' Mohd. Nizam bin Zainordin	IMD - Business Forum - Leading Change in Times of Uncertainty	24/03/2009	IMD International	2
	The Non-Executive Director Development Series (NEDDS) - Is it worth the risk?	08/04/2009	PricewaterhouseCoopers/SIDC	
Dato' Ir. Lee Yee Cheong (retired on 25/06/2009)	-	-	-	-
Dato' Haji Darwis bin Mohd. Daid (resigned on 23/04/2009)	IMD - Business Forum - Leading Change in Times of Uncertainty	24/03/2009	IMD International	1

### Re-Election/Re-Appointment of Directors

In accordance with Paragraph 7.26(2) of the Bursa Securities MMLR 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"). Article 109 of the Articles of Association of the Company further stipulates that Directors appointed to the Board for the first time are subject to mandatory retirement at the next AGM following their appointment. Dato' Siow Kim Lun @ Siow Kim Lin and Dr. Leong Chik Weng are subject to retirement under Article 109 and Article 123, respectively, and being eligible, have offered themselves for re-election.

The Board had adopted a retirement age policy, guided in general by the Companies Act, 1965 and the GLC Transformation Manual, which stipulates 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 Tan Sri Dato' Mohamed Noordin bin Hassan are subject to such retirement and re-appointment. However, they have intimated that they do not wish to seek re-appointment at the forthcoming AGM.

The above have been incorporated in the terms of reference of the Nomination Committee which provides for evaluation of Non-Executive Directors who are to retire by rotation or who have served the maximum term of office, 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 President & Group CEO, 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.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### 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. Currently, Non-Executive Directors are paid Directors' fees and attendance allowance 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 and personal accident insurance coverage. The Chairman of the Board, who is Non-Executive, is entitled to a 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 a gratuity upon their retirement, subject to evaluation of their performance by the Nomination Committee and the Board and the policy approved by shareholders on 26 June 2008. Non-Executive Directors do not participate in the UMW Employee Share Option Scheme.

The Company is 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.

#### Procedure

The Remuneration Committee is responsible for reviewing and recommending to the Board, Executive Directors' remuneration in line with the responsibilities and contributions made by them for the year. The Committee may appoint external advisers or consultants to advise on specific areas where necessary. 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 management staff of the Group based on individual contribution, performance and responsibilities.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### Disclosure on Directors' Remuneration

Details of the remuneration of each Director during the financial year ended 31 December 2009 are as follows -

	Salaries & Other Emoluments (RM'000)	Directors' Fees* (RM'000)	Benefits-In- Kind (RM'000)	Total (RM'000)
<b>Executive Director</b>				
Dato' Abdul Halim bin Harun	2,090	-	116	2,206
<b>Non-Executive Directors</b>				
Tan Sri Datuk Asmat bin Kamaludin	-	162	121	283
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	-	86	-	86
Tan Sri Dato' Mohamed Noordin bin Hassan	-	96	-	96
Dr. Leong Chik Weng	-	101	-	101
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	-	75	-	75
Dato' Mohd. Nizam bin Zainordin	-	83	-	83
Dato' Siow Kim Lun @ Siow Kim Lin (appointed on 10/07/2009)	-	37	-	37
Dato' Ir. Lee Yee Cheong (retired on 25/06/2009)	-	49	-	49
Dato' Haji Darwis bin Mohd. Daid (resigned on 23/04/2009)	-	28	-	28

\*Directors' fee disclosed is at Group level.

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 Director	Non-Executive Directors	Total
Up to RM50,000	-	3	3
RM50,001 - RM100,000	-	4	4
RM100,001 - RM150,000	-	1	1
RM150,001 - RM200,000	-	1	1
RM2,000,001 - RM2,500,000	1	-	1
Total	1	9	10



## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### 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 roadshows to update institutional investors based in Malaysia and abroad in USA, Europe, Middle East, Australia, Singapore, Hong Kong and Japan 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 MMLR. 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.

Contacts for Investor Relations Matters

Name	Designation	Contact Details
1. Dato' Abdul Halim bin Harun	President & Group 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. Chang Kong Meng	Manager, Investor Relations & Website	(+603) 51635112 e-mail : chang.kong.meng@umw.com.my

The Company's website at [www.umw.com.my](http://www.umw.com.my) provides easy access to corporate information pertaining to the Group and its activities.

### Annual Report and Annual General Meeting

In addition to announcements on quarterly financial reports, the Company communicates with its shareholders and investors through its annual report which contains comprehensive information about the Group. The contents of annual report are continuously enhanced to better reflect transparency and accountability.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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 MMLR and the Articles of Association of the Company, the notice of the AGM together with 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 at liberty 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 Group Chairman and President & Group CEO 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 2009, surpassed its target headline key performance indicators, as stated below -

KPI	2009 Target Headline (%)	2009 Achievement (%)
Annual return on shareholders' funds	10	10.4
Annual dividend payout ratio of net profit attributable to shareholders	50	58.7

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### **Directors' Responsibility Statement**

The Board is responsible for ensuring that the financial statements of each financial year are prepared in accordance with applicable Financial Reporting Standards in Malaysia, and the provisions of the Companies Act, 1965 and the Bursa Securities MMLR. It is also the responsibility of the Board 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 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 Financial Reporting 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 75 to 77 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 misstatement 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 62 of this annual report. The Statement on Internal Controls has been reviewed by the external auditors pursuant to Paragraph 15.23 of the Bursa Securities MMLR.

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### **Management Control Policy**

As control is a function of the management and an integral part of the overall process of managing operations, the Group introduced a Management Control Policy on 2 April 2008 whereby the management is tasked with the responsibility of establishing a network of processes with the objective of controlling the operations of companies within the Group, in a manner which provides the Board with reasonable assurance that the following are adhered to -

- Data and information published either for internal or external consumption is accurate, reliable, and timely;
- The actions of Directors, officers, and employees are in compliance with established policies, standards, plans and procedures, and all relevant laws and regulations;
- The organisation's resources (including its people, systems, data/information bases, and customer goodwill) are adequately protected;
- Resources are acquired economically and employed profitably and quality business processes and continuous improvement are emphasised;
- The organisation's plans, programmes, goals, and objectives are achieved.

### **Whistle-Blowing Policy**

In promoting the highest standards of professionalism and ethics in the conduct of the Group's business, it is the Group's policy to welcome disclosures of suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud and abuse of power or breach of any laws and regulations by any member of its staff and management. In this connection, the Group launched its Whistle-Blowing Policy & General Guidelines on 14 July 2009 to provide employees with accessible avenue to report the wrongdoings. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be protected from reprisal.

### **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.

## CORPORATE GOVERNANCE STATEMENT (CONT'D.)

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)



Details of the annual audit fees and non-audit fees paid to the external auditors for the financial year ended 31 December 2009 are as follows -

	Company (RM)	Group (RM)
Fees paid to principal auditors		
● Statutory Audit	120,000	1,241,000
● Non-Audit	-	288,000*
Fees paid to other auditors		
● Statutory Audit	-	1,633,000
● Non-Audit	-	-
<b>Total</b>	<b>120,000</b>	<b>3,162,000</b>

\*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 3 May 2010.

# STATEMENT ON INTERNAL CONTROLS



## INTRODUCTION

The Malaysian Code on Corporate Governance (Revised 2007) requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the company's assets. Under the Main Market 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 best practices guidelines as set out in the Corporate Governance Guide issued by Bursa Securities in June 2009.

## 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, effectiveness 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 misstatement 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 the 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 63 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

## STATEMENT ON INTERNAL CONTROLS (CONT'D.)

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.

### 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 President & Group CEO 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 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.

## STATEMENT ON INTERNAL CONTROLS (CONT'D.)

### 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. 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 President & Group CEO
Operational Risks	Heads of Strategic Business Units (“SBUs”)

**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 President & Group CEO. 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. In the last RMC meeting held in December 2009, 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 Internal Audit Division 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 2009, all major operating companies in the Group, including the Corporate Divisions, have completed their ERM framework.

# CORPORATE SOCIAL RESPONSIBILITY

At UMW, we believe that financial contributions can provide a spark of hope for worthy causes, but it is our personal involvement that keeps the fire burning. 2009 saw UMW share its good fortune with the community in more ways than just a big cheque - UMW employees now have the opportunity to play an active role in the Group's Corporate Social Responsibility ("CSR") efforts through the employee-volunteer programme, the UMW Community Champions.

## Spirit of Volunteerism

Launched on 26 May 2009, the UMW Community Champions clocked in over 2,000 hours of service in just six (6) months. The team, comprising employees across all levels and divisions in the Group, engaged in various social and charitable activities for underprivileged youths and this included facilitating educational field trips and festive season celebrations.

To help prepare the Community Champions for more good work ahead, UMW also sponsored the team in volunteer training programmes with CSR partner, MERCY Malaysia. Several Community Champions were also deployed for the MERCY missions in Kuala Lumpur, Perak and Sabah.

## Bridging the Healthcare Divide

The UMW-MERCY CSR partnership, formalised in December 2008, aims to bridge the healthcare divide for remote and vulnerable communities in Sabah and Sarawak. Going hand-in-hand with the pledge to supply manpower support for MERCY Malaysia was a grant worth RM798,400.

The grant from UMW covered the operational cost for MERCY's mobile clinics, long-house fire and flood relief efforts as well as educational programmes on hygiene, reproductive health and alcohol abuse carried out in 2009. Also included in the grant were two (2) new units of Toyota Hilux and one (1) unit of Toyota Hiace which would be used in the transportation of volunteers and medical equipment to remote communities. The partnership thus far has benefited 5,000 people in Sabah and Sarawak.

UMW also supports other NGOs working in the area of healthcare. The Group's involvement in the Majlis Kanser National payroll-giving scheme entered its 10th year in 2009. The year also saw financial contributions by UMW to the Cancerlink Foundation, Yayasan Jantung Malaysia and Badan Kebajikan Thalassemia Malaysia. Blood donation drives were also conducted to provide



employees with yet another opportunity to participate in community service.

## Education and the Environment

In the course of fulfilling our responsibilities towards society, we have not forgotten the need to care for the environment. In 2009, we pushed further with green initiatives at the workplace through recycling, conserving water and energy in our office buildings and most importantly, educating all our over 10,000 employees about eco-friendly personal habits and practices.

Recognising that education plays a key role in addressing the issues of climate change and other ecological problems, the Group puts in more effort not only to educate its employees on environment matters, but also secondary school-goers.

On 11 February 2009, the UMW Green Challenge was launched. It was an environmental education and conservation programme for secondary school students. Over the course of a year, participating teams were given financial grants and guidance to rehabilitate the eco-system of a neglected green area or public park close to their schools.

Joining UMW as partner and co-organiser was the children's environment heritage foundation, Yayasan Anak

## CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

Warisan Alam. The programme also had the support and cooperation of the Ministry of Education, Majlis Bandaraya Shah Alam, Majlis Perbandaran Klang, the Department of Environment, the Forestry Department and the local community.

At the same time, UMW Toyota Motor Sdn. Bhd. continued to run its Toyota Eco Youth and Toyota Eco Rangers programmes where participating secondary school students applied scientific skills and knowledge to solve environmental problems found in their school compounds.

### Nurturing Potential and Delivering Excellence

The UMW Group remained involved with the PINTAR programme by adopting four (4) primary schools - two (2) in Penang and one (1) each in Perak and Kelantan. The PINTAR programme is a joint venture between Government-Linked Companies, the Ministry of Finance and the Ministry of Education.

The Group supported the adopted schools by organising motivational workshops, sponsoring tuition and educational materials, among other things. A total of 1,529 students benefited from our 2009 PINTAR activities. It is with great pride that for one of the adopted schools, Sekolah Kebangsaan Kampong Laut in Kelantan, the number of students getting straight As for UPSR in 2009 more than tripled over 2008. These results are in line with the programme's objective to improve students' academic performance in rural areas.

In March, the UMW PMR Achievement Awards was held for the 15th year running, with deserving students from 18 secondary schools in Shah Alam receiving Amanah Saham Gemilang Unit Trusts as a reward for their excellent PMR results.

As part of a five-year RM2 million pledge, UMW 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.

UMW has had a long history of not only nurturing academic potential in our youth but also encouraging children to develop healthy, extra-curricular interests. For example, the school band of Sekolah Menengah Kebangsaan Sultan Salahuddin Abdul Aziz Shah ("SMK SSAAS"), Shah Alam continued to receive support from UMW, as it had done for the past 27 years. In 2009, UMW provided the band with brand new uniforms worth

RM15,000, on top of the usual annual grant of RM5,000. The SMK SSAAS School Band won second place in Category B of the Selangor School Band Competition 2009 and we are proud of their achievement.

### Other Social and Charitable Activities

Of course, UMW's support of the school band was not the only thing that brought music to our ears in 2009. The renowned Prague Chamber Orchestra was invited to perform at the 18th annual Toyota Classics Concert in Malaysia.

A total of RM407,728 was generated from ticket sales and the funds were channelled to Agathians Shelter, Persatuan Kebangsaan Autisme Malaysia, Tasputra PERKIM and Shelter Home for Children. In total, the Toyota Classics Concert series has raised and donated RM5.73 million to 43 different charitable organisations in Malaysia since 1990.

UMW also disbursed RM10,000 to the Malaysian Crime Prevention Foundation, as part of a 5-year RM50,000 pledge. UMW also sponsors the education of Palestinian refugee children through The National Institute of Social Care and Vocational Training based in Beirut, Lebanon.

Other than the anchor CSR programmes and long-term commitments, UMW continually awards small grants and special donations to the community on a case-to-case basis. These small donations benefit many types of community groups, including children, the elderly and disabled. We also support other forms of community activities, such as sports clubs. In total, RM178,948 special donations were made to 46 different parties in 2009.

### Conclusion

We have always said that at UMW, CSR is not something we do because we have to - it is something we do because we want to. Our CSR initiatives include charitable activities but go beyond to also cover the marketplace, workplace, environment and the community.

In the marketplace, we strive to give our customers only the best products and services. In the workplace, we constantly work towards giving our employees a safe, healthy and supportive working environment. And for the community at large, we aim to give what we can, be it financial donations or a helping hand, to those most in need.

UMW recognises that plain profit can be measured by what we get, but at the end of the day, the real inner value of our business truly comes from what we can give.

# HEALTH, SAFETY AND ENVIRONMENT



UMW was officially certified Occupational Health & Safety Management Systems (OHSAS) 18001:2007 by SIRIM QAS International

The Group is fully committed to health, safety and environmental (“HSE”) programmes and will take all necessary measures to ensure a safe and healthy working environment for its employees, as stipulated in the Group Safety and Health policy.

## Occupational Health and Safety Management System (OHSAS 18001:2007)

In May 2009, UMW Corporation Sdn. Bhd., UMW Equipment Sdn. Bhd., UMW Industries (1985) Sdn. Bhd., UMW Industrial Power Sdn. Bhd., UMW Pennzoil Distributors Sdn. Bhd. and UMW Advantech Sdn. Bhd. obtained OHSAS 18001:2007 certification by SIRIM QAS International.

The accreditation is a testimony of the Group’s commitment to adhere to the highest international standards of health, safety and environment. More companies in the Group are expected to be OHSAS certified in 2010.

## Health, Safety and Environment Activities

During the year, various HSE programmes were organised to continue inculcating high standards of HSE practices group-wide. Some of the major HSE programmes held during the year included regular HSE briefings group-wide, safety teambuilding at Assembly Services Sdn. Bhd., safety gates at KYB-UMW Malaysia Sdn. Bhd., group-wide HSE audit and re-audit, group-wide Health



“Saudara Selamat”, the UMW safety mascot



Day and influenza H1N1 awareness briefing, blood donation campaign at Toyota Boshoku UMW Sdn. Bhd., HSE competition group-wide, and Toyota Environment, Safety and Health month at UMW Toyota Motor Sdn. Bhd. (“UMW Toyota Motor”).

UMW Toyota Motor introduced the “Keshikomi initiative” to reduce rates of accidents and improve employees’ morale and customer satisfaction. The three main pillars of the initiative were -

- To prevent accidents;
- To identify safety hazards at individual working area and taking counter-measures; and
- To standardise safety rules and regulations.

Automotive Industries Sendirian Berhad implemented safety programmes to improve the safety conditions at the plant. One of the major activities was the machine safety audit. Through this activity, 3,602 safety Kaizen points were identified and 3,514 Kaizen checks were completed.

## Industry Awards and Recognition

On 8 July 2009, the Naga 1, UMW JDC Drilling Sdn. Bhd.’s semi-submersible drilling rig, made a remarkable milestone by clocking in 9 years or 3 million man-hours with no lost time incident. This achievement is a record in the Malaysian Oil & Gas Industry. The award was given by Petroliaam Nasional Berhad at the Malaysian Petroleum Club.

# HUMAN CAPITAL MANAGEMENT, TRAINING AND DEVELOPMENT

## Understanding the Challenges Ahead

We recognise that employees play a pivotal role in our success and we continued with human capital transformation initiatives, such as performance management, training and development and leadership development and succession.

## Talent Recruitment

As the success of any business depends on the availability of the right pool of talent, talent recruitment for critical positions continued to dominate in the Group's human capital management activity. To ensure a continuous supply of quality talent pool, the Group recruited 14 academically high-flying graduates for its Management Trainee programme. As at the end of 2009, the Group global manpower stood at 10,328, out of which 792 were based in our overseas operations.

## Performance Management

The improved Performance Management System ("PMS") was successfully implemented in 2009 to facilitate the process of high performance management and align the Key Performance Indicators ("KPIs") of all employees with the Group's headline KPIs. The electronic PMS will be rolled out to our overseas operations in 2010.

To further strengthen the PMS as well as talent recruitment processes, the next step is to develop competency models and leadership models earmarked in 2010.

## Scholarships and Student Internships

During the year, the Group awarded 18 scholarships to outstanding students in Institut Pengajian Tinggi Awam and Institut Pengajian Tinggi Swasta and allocated special annual awards for academic excellence. The Group continued regular engagement with universities and students to maintain a high level of interest in UMW.

The Group also continued to provide internship opportunities for students in various fields of study. Through the internship programme, 280 students underwent training with the Group.



White water rafting activity at Sungai Kampar

## Union Relations

Union relations continued to be positive as demonstrated by the mutual understanding that exists between the union and management. Such understanding, mutual respect, tolerance and empathy resulted in harmonious working relations between union and management.

## Other Employee Engagement Activities

Regular activities ranging from staff-management dialogues to sports and recreation activities were organised to maintain high level employee involvement. Kelab UMW complements some of the sports and recreational events.

# CALENDAR OF EVENTS

## JANUARY

5

UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") hosted the Star Performers Award ceremony. The purpose of the award is to identify, recognise and retain talent within the organisation.

12

The first shipment of spiral submerged arc-welded steel pipes was delivered to customers from the newly-completed Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. plant in China.

13

Synergistic Generation Sdn. Bhd. ("Synergistic Generation") became a part of the UMW Group with the signing of a Sale and Purchase Agreement for the acquisition of 60% of the issued and paid-up share capital of the company by UMW Malaysian Ventures Sdn. Bhd.

16

UMW Toyota Motor organised the annual National Retail Conference with the theme, "Strengthening Teamwork for Customer Satisfaction and Productivity".



## FEBRUARY

3

UMW Toyota Motor celebrated Chinese New Year with Charity Homes.

11-13

The UMW Green Challenge Camp was held at FELDA Residence Trolak. The Camp is an environmental education and conservation programme for secondary school students. Joining UMW as partner and co-organiser was environmental NGO, Yayasan Anak Warisan Alam.



## MARCH

12

UMW Industries (1985) Sdn. Bhd. ("UMW Industries") was awarded the "Undisputed Performance Award" in the inaugural Toyota Material Handling International ("TMHI") award programme, which combines the performance of Toyota and BT for both equipment and parts and service. It is also the first and only company in the world to achieve Diamond Membership status of the prestigious "TMHI Premier Club".

17

UMW Pennzoil Distributors Sdn. Bhd. introduced the new Passenger Car Motor Oil, Pennzoil Fastrac Motor Oil and the 7-litre Diesel Engine Oil, which are designed for better engine cleanliness and performance.

31

The inaugural Brand Heroes Awards 2009 was held. It is one of the many initiatives organised by the Brand Steering Committee to identify and recognise brand heroes who have been living the UMW brand values in their work lives.

13

UMW Toyota Motor's Smooth Journey Count 'N' Win Contest found its Grand Prize Winner.



## CALENDAR OF EVENTS (CONT'D.)

### APRIL

**18 – 27**

UMW participated in the Minggu Saham Amanah Malaysia exhibition for the 10th consecutive year. This year it was held at Plaza Angsana, Johor Bahru.

**24**

UMW Toyota Motor recognised outstanding Sales and After-Sales Performers at the Chairman's Award presentation.



### MAY

**6**

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 110 UMW employees' children who achieved excellent results in their UPSR, PMR and SPM examinations.

**26**

UMW provided three Toyota vehicles to MERCY Malaysia, as part of the Community Service agreement to assist vulnerable communities in rural Peninsular Malaysia, Sabah and Sarawak. UMW also gave a grant worth close to RM800,000 which aimed to help cover the operational costs of community programmes on reproductive health, personal hygiene, dental care as well as talks and demonstrations on long house fire reduction.

**29**

Offshore Construction Services Pte. Ltd. won the SME Growth Excellence Recognition 2009, under the categories of Most Promising and Top Internationalising Enterprises.



### JUNE

**5**

Official Opening of Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. at BSS Qinhuangdao Plant, China by the Prime Minister of Malaysia, YAB Dato' Sri Mohd. Najib bin Tun Haji Abdul Razak.

KYB-UMW Malaysia Sdn. Bhd. launched its latest motorsports suspension product called RS-Pro, with the tagline "Total Control with Precision".

**15**

UMW Industries joined efforts with Nestle (Malaysia) Berhad to promote safety awareness by organising a Forklift and Reach Truck Safety Driving Competition at the Nestle National Distribution Centre in Shah Alam.

**16**

UMW Toyota Motor launched the long-awaited Toyota Vios 1.5 TRD Sportivo.

**23**

Maybank Investment Bank Berhad arranged for UMW's first Sukuk issuance through the signing of the Islamic Commercial Papers/Medium Term Notes Programme of up to RM300 million in nominal value and Medium Term Notes Programme of up to RM500 million in nominal value.

## CALENDAR OF EVENTS (CONT'D.)

### JULY

**8**

Naga 1, UMW JDC Drilling Sdn. Bhd.'s semi-submersible drilling rig, clocked in 9 years or 3 million man-hours with no lost time incident. This achievement is a record in the Malaysian Oil & Gas Industry.

**9 & 10**

UMW Industries organised a BT Customer Day to introduce the newly-launched BT Levio and Staxio in Shah Alam.

**14**

The UMW Whistle-blowing Policy & General Guidelines was launched to give all employees an opportunity to reveal wrongdoings without fear.

UMW obtained official Occupational Health & Safety Management Systems (OHSAS) 18001:2007 certification from SIRIM QAS International.

**31**

UMW Toyota Motor officially opened its new Regional Parts/Distribution Centre in Kuching as part of the company's commitment to meet the demand for genuine Toyota parts in Sarawak.



### AUGUST

**3**

Toyota Prius, the world's popular and advanced hybrid car, made its debut in Malaysia.

Malaysia's first Rosenbauer Panther CA-5 Aircraft Rescue and Fire-Fighting Vehicle, which was supplied by UMW Equipment Sdn. Bhd., made its debut at Petronas Kertih Airport.

### SEPTEMBER

**2**

The new Toyota Camry was launched at UMW Toyota Motor's Subang Jaya showroom to continue its success as Malaysia's leading executive sedan with enhanced features, styling and accessories.

**8**

UMW Toyota Motor's volunteers set up their first corporate community nursery to support peat forest rehabilitation programme.





## CALENDAR OF EVENTS (CONT'D.)

### OCTOBER

8

UMW Toyota Motor concluded the 2009 Toyota Eco Youth programme at a two-day convention and exhibition held in Concorde Hotel, Shah Alam.

22

Signing ceremony of Equity Joint Venture Contract by and among Sichuan Jinyang Antiseptics Engineering Co., Ltd. and UMW Singapore Ventures Pte. Ltd. and Elite International Investment (HK) Limited.



29

UMW was ranked Top 5 of Malaysia's Most Admired Companies by the Wall Street Journal Asia in the 2009 Asia 200 Survey. The award presentation was held in Beijing, China.

### NOVEMBER

6

UMW was awarded Second Runner-up in the CSR Category and Merit Award at the Malaysian Business – CIMA Enterprise Governance Awards 2009. The awards were presented by the Minister of International Trade & Industry, YB Dato' Mustapa Mohamed.

15

UMW Toyota Motor organised an activity for the Traffic Heroes Club, i.e., a Road Safety Camp where 33 primary school children learnt to map out a "Safe Route to School".

26

UMW Industries delivered 83 units of BT and Toyota material handling equipment to the new Giant Distribution Centre in Sepang.



### DECEMBER

9

UMW Toyota Motor raised RM407,728 at the 2009 Toyota Classics concert. Funds were donated to four charity homes, namely, Agathians Shelter, Persatuan Kebangsaan Autisme Malaysia, Tasputra PERKIM and Shelter Home for Children.



# STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2010

Authorised Share Capital : RM1,000,000,000 (comprising 2,000,000,000 ordinary shares of par value RM0.50 each)

Issued and Paid-up Share Capital : RM566,433,316 (comprising 1,132,866,632 ordinary shares of par value RM0.50 each)

Class of Shares : Ordinary shares of RM0.50 each

Voting Rights : One vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size Of Shareholdings	No. Of Shareholders		Total No. Of Shareholders		No. Of Issued Shares		Total No. Of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	293	19	312	5.54	9,600	844	10,444	0.00
100 to 1,000	1,302	90	1,392	24.72	906,787	56,234	963,021	0.09
1,001 to 10,000	2,565	268	2,833	50.31	10,338,929	1,150,307	11,489,236	1.01
10,001 to 100,000	683	203	886	15.74	19,095,286	6,410,940	25,506,226	2.25
100,001 to less than 5% of issued shares	113	91	204	3.62	238,995,008	61,190,559	300,185,567	26.50
5% and above of issued shares	4	0	4	0.07	794,712,138	0	794,712,138	70.15
<b>Total</b>	<b>4,960</b>	<b>671</b>	<b>5,631</b>	<b>100.00</b>	<b>1,064,057,748</b>	<b>68,808,884</b>	<b>1,132,866,632</b>	<b>100.00</b>

## ANALYSIS OF EQUITY STRUCTURE

Category Of Shareholders	No. Of Shareholders		No. Of Issued Shares		% Of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1. Individual	3,835	208	23,085,818	2,625,960	2.04	0.23
2. Body Corporate						
a. Banks/finance companies	42	1	962,789,746	5,206	84.99	0.00
b. Investment trusts/foundations/charities	7	0	668,812	0	0.06	0.00
c. Industrial and commercial companies	150	9	5,307,012	1,589,898	0.47	0.14
3. Government agencies/institutions	4	0	1,759,084	0	0.15	0.00
4. Nominees	921	453	70,440,610	64,587,820	6.22	5.70
5. Others	1	0	6,666	0	0.00	0.00
<b>Total</b>	<b>4,960</b>	<b>671</b>	<b>1,064,057,748</b>	<b>68,808,884</b>	<b>93.93</b>	<b>6.07</b>

## DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY

The interests of the Directors in the shares of the Company as at 30 April 2010 including those of their spouse and child/children which are deemed interests of the Directors were as follows -

Directors	<-----Direct Interest----->		<-----Deemed Interest----->		
	No. Of Issued Shares	% Of Issued Shares	Spouse No. Of Issued Shares	Child No. Of Issued Shares	% Of Issued Shares
1. Tan Sri Datuk Asmat bin Kamaludin	-	-	-	17,000	0.00
2. Dato' Abdul Halim bin Harun	410,066	0.04	-	-	-
<b>Total</b>	<b>410,066</b>	<b>0.04</b>			

## STATISTICS ON SHAREHOLDINGS (CONT'D.)

AS AT 30 APRIL 2010

### THIRTY LARGEST SHAREHOLDERS

Shareholders	No. Of Shares	%
1. AmanahRaya Trustees Berhad - <i>Skim Amanah Saham Bumiputera</i>	497,748,934	43.94
2. Employees Provident Fund Board	169,507,804	14.96
3. Permodalan Nasional Berhad	69,908,900	6.17
4. Kumpulan Wang Persaraan (Diperbadankan)	57,546,500	5.08
5. AmanahRaya Trustees Berhad - <i>Amanah Saham Malaysia</i>	32,331,000	2.85
6. AmanahRaya Trustees Berhad - <i>Amanah Saham Didik</i>	28,657,300	2.53
7. AmanahRaya Trustees Berhad - <i>Amanah Saham Wawasan 2020</i>	24,904,400	2.20
8. Valuecap Sdn. Bhd.	16,638,800	1.47
9. Lembaga Tabung Haji	16,144,000	1.42
10. AmanahRaya Trustees Berhad - <i>AS 1Malaysia</i>	15,404,200	1.36
11. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>	10,900,500	0.96
12. Citigroup Nominees (Tempatan) Sdn. Bhd. - <i>Exempt An For Prudential Fund Management Berhad</i>	8,305,500	0.73
13. AmanahRaya Trustees Berhad - <i>Sekim Amanah Saham Nasional</i>	8,000,000	0.71
14. Citigroup Nominees (Tempatan) Sdn. Bhd. - <i>Exempt An For American International Assurance Berhad</i>	7,612,000	0.67
15. HSBC Nominees (Asing) Sdn. Bhd. - <i>BBH And Co. Boston For Vanguard Emerging Markets Stock Index Fund</i>	6,878,720	0.61
16. AmanahRaya Trustees Berhad - <i>Public Islamic Dividend Fund</i>	6,677,000	0.59
17. Alliancegroup Nominees (Tempatan) Sdn. Bhd. - <i>PHEIM Asset Management Sdn. Bhd. For Employees Provident Fund</i>	6,351,200	0.56
18. Cartaban Nominees (Asing) Sdn. Bhd. - <i>State Street For Ishares MSCI Emerging Markets Index Fund</i>	5,713,900	0.50
19. AmanahRaya Trustees Berhad - <i>PNB Structured Investment Fund</i>	5,484,800	0.48
20. HSBC Nominees (Asing) Sdn. Bhd. - <i>Exempt An For JPMorgan Chase Bank, National Association (U.A.E)</i>	4,770,388	0.42
21. Cartaban Nominees (Asing) Sdn. Bhd. - <i>State Street For Ishares, Inc.</i>	3,702,400	0.33
22. Mayban Nominees (Tempatan) Sdn. Bhd. - <i>Mayban Investment Management Sdn. Bhd. For Kumpulan Wang Simpanan Pekerja (N14011980810)</i>	3,150,000	0.28
23. Pertubuhan Keselamatan Sosial	3,132,800	0.28
24. HSBC Nominees (Asing) Sdn. Bhd. - <i>Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend)</i>	2,329,600	0.21
25. Cartaban Nominees (Asing) Sdn. Bhd. - <i>State Street For MSCI Equity Index Fund B Malaysia (Barclays G Inv)</i>	2,261,326	0.20
26. AmanahRaya Trustees Berhad - <i>Public Islamic Asia Dividend Fund</i>	2,257,600	0.20
27. Citigroup Nominees (Asing) Sdn. Bhd. - <i>CBNY For Dimensional Emerging Markets Value Fund</i>	2,107,286	0.19
28. AmanahRaya Trustees Berhad - <i>Public Islamic Optimal Growth Fund</i>	2,040,000	0.18
29. SBB Nominees (Tempatan) Sdn. Bhd. - <i>Employees Provident Fund Board</i>	2,037,700	0.18
30. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - <i>Exempt An For Deutsche Trustees Malaysia Berhad (MYETF-DJIM25)</i>	2,024,000	0.18
<b>Total</b>	<b>1,024,528,558</b>	<b>90.44</b>

### SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct Interest	Deemed Interest	%
1. Skim Amanah Saham Bumiputera	-	497,748,934	43.94
2. Employees Provident Fund Board	171,007,804*	15,389,700	16.45
3. Permodalan Nasional Berhad	69,908,900	-	6.17
4. Kumpulan Wang Persaraan (Diperbadankan)	57,546,500	-	5.08
<b>Total</b>	<b>298,463,204</b>	<b>513,138,634</b>	<b>71.64</b>

Note : \* Including an account registered under Kumpulan Wang Simpanan Pekerja (RHB Investment Bank Berhad) for 1.5 million ordinary shares (0.13%).

The above information was based on Bursa Malaysia Depository Sdn. Bhd.'s records received on 3rd May 2010.

## OTHER DISCLOSURES

The following information is provided pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities MMLR").

### UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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 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 2009.

### DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year under review.

### IMPOSITION OF SANCTIONS AND/OR 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 2009 by the Company's external auditors or their affiliates is disclosed on page 59 under Corporate Governance and on page Note 25 of the Financial Statements.

### VARIATION IN RESULTS

There were no variances of 10% or more between the results for the financial year 2009 and the unaudited results previously announced.

### PROFIT GUARANTEE

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

### 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.

## OTHER DISCLOSURES (CONT'D.)

("MBM"), Daihatsu (Malaysia) Sdn. Bhd. ("DMSB"), Daihatsu Motor Co.Ltd. ("DMC") and Mitsui & Co.Ltd. ("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) Vehicle Assembly Agreement dated 30 November 2009 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, Japan ("TMC"), a 39% shareholder of UMWT, has indirect interest in PMSB via Daihatsu Motor Co., Ltd., its 51.19%-owned subsidiary, which owns 20% and 41% equity interest in 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.

- (e) 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 21.57% equity interest in TTC. TTC, a 10% shareholder of UMWT is also a 70% shareholder of TTM. TMC and TTC are deemed to be related parties by virtue of their direct interest in UMWT.

## REVALUATION POLICY ON LANDED PROPERTIES

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.

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

At the Annual General Meeting of the Company held on 25 June 2009, the Company had obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

## OTHER DISCLOSURES (CONT'D.)

In accordance with Paragraph 10.09(2)(b), Chapter 10 of the Bursa Securities MMLR, details of recurrent related party transactions conducted during the financial year ended 31 December 2009 pursuant to the Shareholders' Mandate were 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>	<ul style="list-style-type: none"> <li>Sale of vehicle spare parts by Denso to UMWT, a subsidiary of UMWC.</li> </ul>	337,555
	<p>TMC has direct and indirect interests in UMW Toyota 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>Sale of vehicle spare parts by JAMSB to UMWT, a subsidiary of UMWC.</li> </ul>	131,246
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>Sale of vehicle completely knocked down ("CKD") units and components by UMWT, a subsidiary of UMWC to PMSB.</li> <li>Sale of vehicles by PMSB to UMWT, a subsidiary of UMWC.</li> </ul>	225,086
			452,451

## OTHER DISCLOSURES (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 Toyota Tsusho (Malaysia) Sdn. Bhd. ("TTM") as TTC has 70% equity interest therein.</p> <p>TTC and TTM have 51% and 19% equity interests, respectively, in UMW Toyotsu Motors Sdn. Bhd. ("UMW Toyotsu"), a 30%-owned associated company of UMWC.</p>	<ul style="list-style-type: none"> <li>• Sale of vehicles and workshop service by UMWT, a subsidiary of UMWC, to UMW Toyotsu.</li> </ul>	124,799

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 MMLR 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 MMLR 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 2 June 2009 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 31.12.2009 (RM)
<b>1. Ulu Selangor</b> PT. 4445 Mukim Serendah Ulu Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 16.04.2094	Land - 3,473,752.7 Built-up - Nil	-	-	17.04.1995	78,615,417
<b>2. Shah Alam</b> 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	5	-	06.08.1985	45,692,986
<b>3. Subang</b> Part of Lot 61716 H.S.(D) 58036 Bandar Subang Jaya Daerah Petaling Selangor	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 10,967.1 Built-up - 10,219.3	2	-	28.03.2006	37,825,507
<b>4. Penang</b> No.8, Jalan Jelutong Section 9W Bandar Georgetown North-East District Pulau Pinang	Industrial Land	Showroom, Parts & Service Centre	Freehold	Land - 12,137.8 Built-up - 2,653.8	2	-	29.12.2003	37,029,932
<b>5. Petaling Jaya</b> Lot 1, Jalan 19/1 Section 19 Petaling Jaya	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Leasehold 99 years expiring 28.06.2061	Land - 17,094.0 Built-up - 11,632.1	4	-	15.06.1991	27,936,842
<b>6. Shah Alam</b> No. 19, Jalan Subang Utama 2 (Jalan Puchong) Lion Industrial Park Section 22 Shah Alam	Industrial Land	Service, Parts & Logistics Distribution Centre	Freehold	Land - 46,947.5 Built-up - 949.2	7	-	14.05.1997	27,462,617
<b>7. Batu Pahat</b> Geran 49065 Bandar Penggaram Daerah Batu Pahat Johor	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Freehold	Land - 10,496.5 Built-up - 2,620.0	2	-	28.09.2005	26,644,684
<b>8. Mutiara Damansara</b> Lot 44580 Mukim Sungai Buloh Daerah Petaling Selangor	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 4,228.5 Built-up - 11,375.5	4	-	13.08.2004	25,814,270
<b>9. Kuala Lumpur</b> Lot 4523, Batu 5 Jalan Cheras Kuala Lumpur	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 10,337.0 Built-up - 12,197.4	4	-	08.10.2003	25,568,758
<b>10. Puchong</b> H.S.(D) 101020 PT.34441 Mukim Petaling Daerah Petaling Selangor	Industrial Land	Parts & Service Centre	Leasehold 99 years expiring 19.10.2094	Land - 12,141.0 Built-up - 45,523.3	-	-	27.11.2007	21,471,771





## FINANCIAL STATEMENTS

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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 2009.

## 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.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the year	<u>647,212</u>	<u>225,234</u>
Attributable to:		
Equity holders of the Company	<b>382,395</b>	<b>225,234</b>
Minority interests	<u>264,817</u>	-
	<u>647,212</u>	<u>225,234</u>

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 2008 were as follows:

	<b>RM'000</b>
<b>In respect of the financial year ended 31 December 2008:</b>	
Second interim dividend of 20% or 10.0 sen less 25% taxation paid on 20 February 2009	<u>82,063</u>
Final franked dividend of 6.5% or 3.25 sen less 25% taxation and single-tier dividend of 8.75 sen paid on 10 August 2009	<u>123,484</u>
<b>In respect of the financial year ended 31 December 2009:</b>	
First interim single-tier dividend of 12% or 6.0 sen paid on 7 October 2009	<u>66,642</u>
Second interim single-tier dividend of 10% or 5.0 sen paid on 18 February 2010	<u>56,204</u>

## DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting of the Company, a final single-tier dividend in respect of the current financial year of 18% or 9.0 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM101.6 million (2008: a franked dividend of 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 RM123.5 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 2010.

## 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.

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 was 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 the share split on exercise prices and number of outstanding share options is 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 ----->				
		1 January 2009	Exercised	Lapsed	Forfeited	31 December 2009
3.335	07/06/06	4,500,600	2,798,600	-	28,800	1,673,200
3.330	10/08/06	9,103,300	5,778,900	108,400	-	3,216,000
3.325	18/09/06	563,400	275,200	-	-	288,200
		<u>14,167,300</u>	<u>8,852,700</u>	<u>108,400</u>	<u>28,800</u>	<u>5,177,400</u>

Options Granted in 2008

Option Price RM	Grant Date	<----- Number of Options Over Ordinary Shares of RM0.50 each ----->				
		1 January 2009	Exercised	Lapsed	Forfeited	31 December 2009
5.160	21/10/08	23,922,400	6,103,500	21,000	215,000	17,582,900
4.930	01/12/08	39,384,000	12,007,900	173,200	526,300	26,676,600
		<u>63,306,400</u>	<u>18,111,400</u>	<u>194,200</u>	<u>741,300</u>	<u>44,259,500</u>

During the year 2009, 27,173,300 ordinary shares of RM0.50 each were allotted.

## 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 are as stated below:

<b>Option Price RM</b>	<b>Number of Options Over Ordinary Shares of RM0.50 Each</b>
3.335	581,500
3.330	866,600
3.325	50,200
5.160	4,673,000
4.930	7,378,600

## SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up share capital from RM546,071,716 to RM559,658,366 by way of issuance of 27,173,300 ordinary shares of RM0.50 each through the exercise and allotment of:

- (a) 2,851,400 option shares of RM0.50 each at RM3.335 per share pursuant to the ESOS;
- (b) 5,956,300 option shares of RM0.50 each at RM3.330 per share pursuant to the ESOS;
- (c) 275,200 option shares of RM0.50 each at RM3.325 per share pursuant to the ESOS;
- (d) 6,103,500 option shares of RM0.50 each at RM5.160 per share pursuant to the ESOS; and
- (e) 11,986,900 option shares of RM0.50 each at RM4.930 per share pursuant to the ESOS.

At the date of this report, the issued and paid-up capital of the Company was increased from RM559,658,366 to RM566,433,316 (comprising 1,132,866,632 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) 581,500 option shares of RM0.50 each at RM3.335 per share;
- (b) 866,600 option shares of RM0.50 each at RM3.330 per share;
- (c) 50,200 option shares of RM0.50 each at RM3.325 per share;
- (d) 4,673,000 option shares of RM0.50 each at RM5.160 per share; and
- (e) 7,378,600 option shares of RM0.50 each at RM4.930 per share.

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

## 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  
 Dr. Leong Chik Weng  
 Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani  
 Dato' Mohd. Nizam bin Zainordin  
 Dato' Siow Kim Lun @ Siow Kim Lin (*Appointed on 10 July 2009*)  
 Dato' Ir. Lee Yee Cheong (*Retired on 25 June 2009*)  
 Dato' Haji Darwis bin Mohd. Daid (*Resigned on 23 April 2009*)

## 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 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:

	<----- Number of Ordinary Shares of RM0.50 Each ----->				
	1 January 2009	Exercise of Options	Bought	Sold	31 December 2009
<b>The Company</b>					
<b>Direct Interest</b>					
Dato' Abdul Halim bin Harun	500,066	75,000	-	85,000	490,066
<b>Indirect Interest</b>					
Tan Sri Datuk Asmat bin Kamaludin	18,000	-	-	1,000	17,000

DIRECTORS' INTEREST (CONT'D.)

	Option Price	<----- Number of Options Over Ordinary Shares of RM0.50 Each ----->			
		1 January 2009	Granted	Exercised	31 December 2009
<b>The Company</b>					
<b>Direct Interest</b>					
Dato' Abdul Halim bin Harun	RM3.335	154,600	-	75,000	79,600
	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.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

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.

## DIRECTORS' REPORT (CONT'D.)

### OTHER STATUTORY INFORMATION (CONT'D.)

- (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.

### SIGNIFICANT EVENTS

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

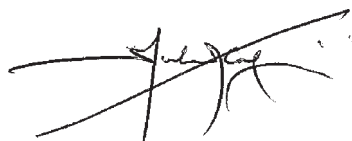
### SUBSEQUENT EVENTS

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 23 April 2010.



**TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID**



**DATO' ABDUL HALIM BIN HARUN**

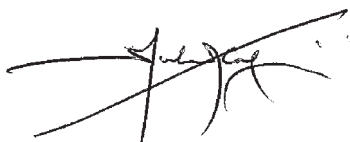


## STATEMENT BY DIRECTORS

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

We, **TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID** 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 90 to 199 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 2009 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 23 April 2010.



**TAN SRI DATUK MOHAMED KHATIB BIN ABDUL HAMID**



**DATO' ABDUL HALIM BIN HARUN**

## STATUTORY DECLARATION

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

I, **AZMIN BIN CHE YUSOFF**, 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 90 to 199 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 **AZMIN BIN CHE YUSOFF** )  
at Shah Alam in Selangor )  
Darul Ehsan on 23 April 2010 )



**AZMIN BIN CHE YUSOFF**

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 2009, 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 90 to 199.

### *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 2009 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)

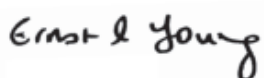
### Report on other legal and regulatory requirements

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 financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 32 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification 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

Kuala Lumpur, Malaysia

23 April 2010



**Habibah bte Abdul**

No. 1210/05/10(J)

Chartered Accountant

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in associates	4	<b>1,453,676</b>	1,468,121
Investment properties	5	<b>1,714</b>	14,384
Property, plant and equipment	6	<b>2,546,009</b>	1,792,362
Prepaid land lease payments	7	<b>254,877</b>	221,660
Leased assets	8	<b>169,940</b>	157,899
Deferred tax assets	18	<b>26,733</b>	21,331
Intangible assets	9	<b>241,498</b>	132,906
Other financial assets	4	<b>193,580</b>	86,293
		<b><u>4,888,027</u></b>	<u>3,894,956</u>
<b>Current assets</b>			
Deposits, cash and bank balances	10	<b>1,733,290</b>	1,537,802
Receivables	11	<b>897,271</b>	937,918
Inventories	12	<b>1,303,573</b>	1,453,830
		<b><u>3,934,134</u></b>	<u>3,929,550</u>
Non-current assets held for sale	13	<b>3,535</b>	3,535
		<b><u>3,937,669</u></b>	<u>3,933,085</u>
<b>TOTAL ASSETS</b>		<b><u>8,825,696</u></b>	<u>7,828,041</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	<b>559,658</b>	546,072
Share premium		<b>542,045</b>	414,651
Capital reserve	15	<b>5,793</b>	5,793
Share options reserve	14	<b>41,038</b>	61,169
Foreign exchange reserve		<b>42,666</b>	50,442
Retained profits		<b>2,582,659</b>	2,444,126
		<b><u>3,773,859</u></b>	<u>3,522,253</u>
Minority interests		<b>1,145,909</b>	1,083,167
<b>Total equity</b>		<b><u>4,919,768</u></b>	<u>4,605,420</u>

**CONSOLIDATED BALANCE SHEET (CONT'D.)**  
AS AT 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
<b>Non-current liabilities</b>			
Long term liabilities	16	<b>1,850,598</b>	719,517
Provision for liabilities	17	<b>65,488</b>	43,995
Deferred tax liabilities	18	<b>22,107</b>	16,027
		<u><b>1,938,193</b></u>	<u>779,539</u>
<b>Current liabilities</b>			
Short term borrowings	19	<b>294,144</b>	527,954
Payables	20	<b>1,481,472</b>	1,650,514
Taxation		<b>71,732</b>	115,931
Dividend payable	29	<b>56,204</b>	82,063
Provision for liabilities	17	<b>64,183</b>	66,620
		<u><b>1,967,735</b></u>	<u>2,443,082</u>
<b>Total liabilities</b>		<u><b>3,905,928</b></u>	<u>3,222,621</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,825,696</b></u>	<u>7,828,041</u>

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

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Revenue	22	<b>10,720,861</b>	12,769,581
Other operating income	23	<b>113,866</b>	128,748
Changes in inventories		<b>(141,531)</b>	264,460
Finished goods purchased		<b>(7,815,037)</b>	(9,762,493)
Raw materials and consumables used		<b>(359,717)</b>	(422,449)
Employee benefits	24	<b>(645,137)</b>	(711,336)
Depreciation and amortisation of assets		<b>(235,563)</b>	(194,503)
Other operating expenses	25	<b>(859,841)</b>	(998,357)
Profit from operations		<b>777,901</b>	1,073,651
Finance costs	26	<b>(34,799)</b>	(48,139)
Investment income	23	<b>32,764</b>	51,351
Share of profits of associates		<b>70,638</b>	199,822
Profit before taxation		<b>846,504</b>	1,276,685
Income tax expense	27	<b>(199,292)</b>	(320,872)
Profit for the year		<b>647,212</b>	955,813
Attributable to:			
Equity holders of the Company		<b>382,395</b>	565,838
Minority interests		<b>264,817</b>	389,975
		<b>647,212</b>	955,813
<b>Earnings per share attributable to equity holders of the Company (Sen):</b>			
Basic - after share split	28	<b>34.6</b>	52.3
Diluted - after share split	28	<b>34.4</b>	51.4

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

		Non-Distributable		Distributable			
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total RM'000
						Minority Interests RM'000	Total Equity RM'000
At 1 January 2008	537,711	357,328	25,318	17,072	5,793	878,459	4,008,544
Foreign currency translation:							
Group	-	-	25,124	-	-	(5,900)	19,224
Net asset accretion arising from the share issue of an associate	-	-	-	-	6,383	-	6,383
Net income and expense recognised directly in equity	-	-	25,124	-	-	(5,900)	25,607
Profit for the year	-	-	-	-	-	389,975	955,813
Total recognised income and expense for the year	-	-	25,124	-	-	384,075	981,420
Dividends (Note 29)	-	-	-	-	-	(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
Effect of exercise of ESOS	-	9,969	-	(9,969)	-	-	-
At 31 December 2008	546,072	414,651	50,442	61,169	5,793	1,083,167	4,605,420

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)**  
FOR THE YEAR ENDED 31 DECEMBER 2009

	Non-Distributable		Distributable		Minority Interests	Total Equity			
	Share Capital	Share Premium	Foreign Exchange Reserve	Share Options Reserve			Capital Reserve	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2009	546,072	414,651	50,442	61,169	5,793	2,444,126	3,522,253	1,083,167	4,605,420
Foreign currency translation: Group	-	-	(7,776)	-	-	-	(7,776)	3,200	(4,576)
Net asset accretion arising from the share issue of a jointly controlled entity	-	-	-	-	-	2,468	2,468	-	2,468
Net income and expense recognised directly in equity Profit for the year	-	-	(7,776)	-	-	2,468	(5,308)	3,200	(2,108)
Total recognised income and expense for the year	-	-	(7,776)	-	-	382,395	382,395	264,817	647,212
Dividends (Note 29)	-	-	-	-	-	(246,330)	(246,330)	(219,729)	(466,059)
Acquisition of subsidiaries	-	-	-	-	-	-	-	22,706	22,706
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	4,551	4,551
Reduction of minority interest in subsidiaries	-	-	-	-	-	-	-	(12,803)	(12,803)
Issue of ordinary shares: Pursuant to ESOS	13,586	107,263	-	-	-	-	120,849	-	120,849
Effect of exercise of ESOS	-	20,131	-	(20,131)	-	-	-	-	-
At 31 December 2009	559,658	542,045	42,666	41,038	5,793	2,582,659	3,773,859	1,145,909	4,919,768

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



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>846,504</b>	1,276,685
Adjustments for:		
Amortisation of prepaid land lease payments	<b>5,231</b>	4,449
Amortisation of product development expenditure	<b>1,575</b>	426
Bad debts written off	<b>1,013</b>	-
Depreciation	<b>230,332</b>	190,054
(Reversal)/provision for impairment losses of:		
- leased assets	<b>513</b>	1,296
- property, plant and equipment	<b>1,969</b>	2,951
- other investments	<b>(30,477)</b>	36,621
Dividend income	<b>(781)</b>	(60)
Net gain on disposal of investments	<b>(6)</b>	(358)
Goodwill written off	<b>4,745</b>	-
Interest expense	<b>34,799</b>	48,139
Interest income	<b>(31,983)</b>	(51,291)
Net gain on disposal of property, plant and equipment, prepaid land lease payments, investment properties and leased assets	<b>(10,613)</b>	(20,151)
Net inventories written off	<b>821</b>	3,425
Property, plant and equipment, investment properties and leased assets written off	<b>3,180</b>	350
Provision for doubtful debts, net of reversal	<b>9,102</b>	2,761
Provision for liabilities, net of reversal	<b>38,888</b>	31,650
Provision of unutilised leave	<b>4,325</b>	2,282
Share of profits of associates	<b>(70,638)</b>	(199,822)
Share options granted under ESOS	<b>-</b>	54,066
Unrealised foreign exchange loss	<b>3,607</b>	21,136
Operating profit before working capital changes	<b>1,042,106</b>	1,404,609
Decrease/(increase) in receivables	<b>35,851</b>	(72,824)
Decrease/(increase) in inventories	<b>109,977</b>	(359,063)
Decrease in provision for liabilities	<b>(22,531)</b>	(17,839)
Decrease in payables	<b>(117,750)</b>	(4,353)
Cash generated from operating activities	<b>1,047,653</b>	950,530
Interest paid	<b>(34,799)</b>	(48,139)
Taxes paid	<b>(242,498)</b>	(305,102)
Net cash generated from operating activities	<b>770,356</b>	597,289

**CONSOLIDATED CASH FLOW STATEMENT (CONT'D.)**  
FOR THE YEAR ENDED 31 DECEMBER 2009

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow in acquisition of subsidiaries (Note 4(a))	<b>(143,433)</b>	(58,568)
Net cash outflow in acquisition of jointly controlled entities (Note 4(b))	-	(54,812)
Net cash paid for investments in associates	<b>(27,432)</b>	(126,926)
Net cash outflow from disposal of subsidiaries (Note 4(a))	<b>(25,948)</b>	-
Purchase of additional equity interests in subsidiaries and associates	<b>(109,852)</b>	(7,978)
Profit guarantee received	-	1,933
Research and development expenditure	<b>(127)</b>	(138)
Purchase of property, plant and equipment, prepaid land lease payments, investment properties and leased assets	<b>(600,898)</b>	(629,510)
Proceeds from disposal of property, plant and equipment, prepaid land lease payments, investment properties and leased assets	<b>39,193</b>	91,337
Proceeds from disposal of other financial assets	<b>225,021</b>	18,002
Purchase of other financial assets	<b>(301,838)</b>	(64,060)
Interest received	<b>31,983</b>	51,291
Dividends received	<b>109,917</b>	51,330
Net cash used in investing activities	<b>(803,414)</b>	(728,099)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of long term borrowings	<b>996,889</b>	401,269
Repayment of long term borrowings	<b>(135,495)</b>	(64,025)
Net movement in short term borrowings	<b>(279,786)</b>	138,458
Drawdown of finance lease payables	<b>449</b>	733
Proceeds from issuance of shares		
- by holding company to shareholders	<b>120,849</b>	55,715
- by subsidiaries to minority shareholders	<b>9,809</b>	36,060
Dividends paid to equity holders of the Company	<b>(272,189)</b>	(280,706)
Dividends paid to minority interests	<b>(219,729)</b>	(198,312)
Net cash generated from financing activities	<b>220,797</b>	89,192
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>187,739</b>	(41,618)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>1,519,699</b>	1,567,223
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>(8,418)</b>	(5,906)
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>1,699,020</b>	1,519,699
Cash and cash equivalents comprise:		
Cash and bank balances (Note 10)	<b>319,756</b>	328,826
Deposits with licensed banks (Note 10)	<b>1,413,534</b>	1,208,976
Bank overdrafts (Note 19)	<b>(34,270)</b>	(18,103)
	<b>1,699,020</b>	1,519,699

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

# BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	4	<u>638,980</u>	<u>638,345</u>
<b>Current assets</b>			
Deposits, cash and bank balances	10	5,415	6,260
Receivables	11	317	39
Tax recoverable		637	572
Due from wholly-owned subsidiaries	11	<u>1,066,350</u>	<u>489,347</u>
		<u>1,072,719</u>	<u>496,218</u>
<b>TOTAL ASSETS</b>		<u>1,711,699</u>	<u>1,134,563</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	559,658	546,072
Share premium		542,045	414,651
Share options reserve	14	41,038	61,169
Retained profits		7,366	28,462
<b>Total equity</b>		<u>1,150,107</u>	<u>1,050,354</u>
<b>Non-current liabilities</b>			
Long term liabilities	16	<u>499,546</u>	<u>-</u>
<b>Current liabilities</b>			
Payables	20	5,842	2,146
Dividend payable	29	56,204	82,063
		<u>62,046</u>	<u>84,209</u>
<b>Total liabilities</b>		<u>561,592</u>	<u>84,209</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,711,699</u>	<u>1,134,563</u>

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

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Revenue	22	<b>250,429</b>	35,775
Other operating expenses	25	<b>(23,154)</b>	(2,365)
Profit from operations		<b>227,275</b>	33,410
Finance costs	26	<b>(4,355)</b>	-
Investment income	23	<b>2,329</b>	266
Profit before taxation		<b>225,249</b>	33,676
Income tax expense	27	<b>(15)</b>	1,421
Profit for the year		<b>225,234</b>	35,097

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital RM'000	<--- Non-Distributable ---> Share Premium RM'000	Share Options Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
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	<b>546,072</b>	<b>414,651</b>	<b>61,169</b>	<b>28,462</b>	<b>1,050,354</b>
At 1 January 2009	<b>546,072</b>	<b>414,651</b>	<b>61,169</b>	<b>28,462</b>	<b>1,050,354</b>
Profit for the year, representing total recognised income and expense for the year	-	-	-	225,234	225,234
Dividends (Note 29)	-	-	-	(246,330)	(246,330)
Issue of ordinary shares:					
Pursuant to ESOS	13,586	107,263	-	-	120,849
Effect of exercise of ESOS	-	20,131	(20,131)	-	-
At 31 December 2009	<b>559,658</b>	<b>542,045</b>	<b>41,038</b>	<b>7,366</b>	<b>1,150,107</b>

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

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	225,249	33,676
Adjustments for:		
Impairment losses of investments in subsidiaries	20,000	-
Amortisation of transaction costs of long term liabilities	24	-
Interest expense	4,355	-
Interest income	(2,329)	(265)
Dividend income	(250,429)	(35,775)
Operating loss before working capital changes	<u>(3,130)</u>	<u>(2,364)</u>
Decrease in receivables	1,712	1
(Increase)/decrease in due from subsidiaries	(577,003)	317,791
(Decrease)/increase in payables	(659)	547
Cash (used in)/generated from operations	<u>(579,080)</u>	<u>315,975</u>
Taxes (paid)/recovered	(80)	1,550
Net cash (used in)/generated from operating activities	<u>(579,160)</u>	<u>317,525</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	339	265
Dividends received	250,429	35,724
Purchase of investments	(20,635)	(127,774)
Net cash generated from/(used in) investing activities	<u>230,133</u>	<u>(91,785)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of long term borrowings	499,522	-
Proceeds from issue of shares	120,849	55,715
Dividends paid to equity holders of the Company	(272,189)	(280,706)
Net cash generated from/(used in) financing activities	<u>348,182</u>	<u>(224,991)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(845)</b>	<b>749</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>6,260</b>	<b>5,511</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>5,415</b>	<b>6,260</b>
Cash and cash equivalents comprise:		
Cash and bank balances (Note 10)	415	1,291
Deposits with licensed banks (Note 10)	5,000	4,969
	<u>5,415</u>	<u>6,260</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2009

## 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;
- (vii) blending, packaging, marketing and distribution of lubricants; and
- (viii) provision of support services in the form of after-sales service, travel and insurance.

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 Market 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 23 April 2010.

## 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 President & Group CEO, 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, interest 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 as set out below:

### (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, cross currency swaps and foreign currency options by using foreign exchange facilities maintained with leading banks in Malaysia and overseas.

### (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.

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 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. The financial statements of the subsidiaries and jointly controlled entities are prepared for the same reporting date as the Company, except as disclosed in Note 4(c) to the financial statements.

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.

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.

### 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.)

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. Acquisition of minority interest are accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

###### (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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control over those policies.

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 associates as at 31 December 2009. 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.

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.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect of the Group's net investment in the associate.

### 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.)

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 associates 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.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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.

On disposal of investment in a jointly controlled entity, the difference between net disposal proceeds and their carrying amount is included in the consolidated income statement.

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

Investments in subsidiaries 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.

As permitted under the transitional provisions of IAS 16 (Revised): 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 included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is retired or disposed off.

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 are amortised over the term of the land lease 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:

Long term leasehold land with unexpired lease term of between 50 and 99 years	Over a period of 50 to 99 years
Short term leasehold land	Over a period of 7 to 49 years

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (d) Prepaid Land Lease Payments (Cont'd.)

When an indication of impairment exists, the carrying amount of the prepaid land lease 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).

##### (e) Leased Assets

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

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%
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

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) **Intangible Assets (Cont'd.)**

(ii) **Research and Development Expenditure (Cont'd.)**

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.

(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.

(ii) **Foreign Currency Transactions**

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.

**Non-monetary Items**

At each balance sheet date, foreign currency non-monetary items 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**

At each balance sheet date, foreign currency monetary items are translated into functional currency at exchange rates ruling at that date.

- **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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) **Foreign Currencies (Cont'd.)**

(ii) **Foreign Currency Transactions (Cont'd.)**

**Monetary Items (Cont'd.)**

- **Group Accounts**

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are 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 mitigate its exposure to certain foreign exchange risks, the Group enters into forward foreign exchange contracts, cross currency swaps and foreign currency options. The accounting policy for these contracts is further described in Note 3.2(p).

(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 2006 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 2006 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Foreign Currencies (Cont'd.)

(iii) Foreign Operations (Cont'd.)

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

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
United States Dollar	<b>3.4265</b>	3.4580
Singapore Dollar	<b>2.4282</b>	2.4030
Sterling Pound	<b>5.5407</b>	5.0335
Euro	<b>4.9384</b>	4.8550
Australian Dollar	<b>3.0637</b>	2.4080
Solomon Islands Dollar	<b>0.4362</b>	0.4515
Chinese Renminbi	<b>0.4985</b>	0.5073
Swedish Krone	<b>0.4803</b>	0.4420
Papua New Guinea Kina	<b>1.2866</b>	1.3070
Vietnamese Dong (100 units)	<b>0.0184</b>	0.0200
Thai Baht (100 units)	<b>10.2200</b>	9.9540
Japanese Yen (100 units)	<b>3.7060</b>	3.8225
Indonesian Rupiah (100 units)	<b>0.0363</b>	0.0318
Indian Rupee (100 units)	<b>7.3200</b>	7.1240
Hong Kong Dollar	<b>0.4389</b>	0.4465
Bahrain Dinar	<b>9.0334</b>	-

(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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (k) Income Tax (Cont'd.)

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).

##### (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 incidental 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

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

##### **(m) Leases (Cont'd.)**

###### **(i) Where a Group/Company is a Lessee (Cont'd.)**

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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (n) Employee Benefits (Cont'd.)

##### (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.

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, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. The last valuations were carried out as of 31 December 2007 for UGRP and 31 December 2008 for SMRP, respectively.

Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

##### (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 options 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

**(n) Employee Benefits (Cont'd.)**

**(iv) Share-based Compensation (Cont'd.)**

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

**(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. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(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 assets, 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, foreign currency options 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.

All gains or losses on the forward foreign exchange contracts are offset against the corresponding exchange loss or gains on the underlying hedged item.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

**(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.

**(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 Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the non-current assets are measured in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5, that is at the lower of carrying amount and fair value less costs to sell. Any difference is included in profit or loss. Non-current assets classified as held for sale, is not depreciated.

**(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, other than construction contract assets, inventories, deferred tax assets and non-current assets 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.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 3.3 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

##### FRSs, Amendments to FRSs and Interpretations

##### Effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments
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##### Effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (as revised in 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Improvement to FRSs 2009	Amendments to 'Improvements to FRSs 2009'
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i - 3	Presentation of Financial Statements of Islamic Financial Institutions

##### Effective for financial periods beginning on or after 1 July 2010:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 3.3 Standards and Interpretations Issued but Not Yet Effective (Cont'd.)

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

##### **FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)**

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

##### **FRS 8: Operating Segment**

FRS 8 replaces FRS 114<sub>2004</sub>: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

##### **FRS 101: Presentation of Financial Statements (revised)**

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 3.3 Standards and Interpretations Issued but Not Yet Effective (Cont'd.)

##### **FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures**

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

##### **Amendments to FRSs 'Improvements to FRSs (2009)'**

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

#### 3.4 Changes in Estimates

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

#### 3.5 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 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 2009 was RM241,286,000 (2008: RM131,246,000). Further details are disclosed in Note 9.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 3.5 Significant Accounting Estimates (Cont'd.)

##### Key Sources of Estimation Uncertainty (Cont'd.)

##### (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 RM12,636,000 (2008: RM15,253,000) and the unrecognised tax losses and capital allowances of the Group was RM339,928,000 (2008: RM243,314,000).

##### (iii) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the plant and machinery's estimated useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 16 years based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the balance sheet date is disclosed in Note 6 to the financial statements.

##### (iv) Provision for warranties

The Group recognises a provision for liabilities associated with the warranties provided on certain products. This requires an estimation of the expenditure required to settle the present obligation at the balance sheet date. In determining the provision, the Group has made assumptions in relation to the expected cost to repair and/or replace the products and the expected timing of those costs. As at 31 December 2009, the carrying amount of provision for warranties was RM128,524,000 (2008: RM109,038,000). Further details are provided in Note 17.

##### (v) Impairment of Jack Up Drilling Rigs Naga 2 and Naga 3 classified as property, plant and equipment

At balance sheet date, management determines whether the carrying amounts of its Jack Up Drilling Rigs Naga 2 and Naga 3 of RM1 billion are impaired. This involves measuring the recoverable amounts using the discounted cash flow method.

In performing the discounted cash flow analysis, discount rate of 4.7% was used to reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential.

The other assumptions used in the analysis, involving the useful life, day rates and utilisation rates of the rigs were derived by benchmarking against the industry average.

Based on management's review, no impairment is required for the rigs during the current financial year.

#### 4. INVESTMENTS

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Investments in subsidiaries				
Unquoted shares, at cost (Note a(i))	-	-	<b>638,980</b>	638,345
Investments in associates (Note c)	<b>1,453,676</b>	1,468,121	-	-
Other financial assets (Note d)	<b>193,580</b>	86,293	-	-
	<b>1,647,256</b>	1,554,414	<b>638,980</b>	638,345

##### (a) Investments 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 associates. 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:

	<b>Date Placed Under Liquidation</b>
(a) UMW Orient Sdn. Berhad	5 April 2002
(b) UMW Industries (Philippines) Inc.	17 April 2002
(c) UMW Auto Parts (Thailand) Co., Ltd.	26 December 2008

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

4. INVESTMENTS (CONT'D.)

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

(iii) Acquisitions of subsidiaries during the financial year ended 31 December 2009

(aa) UMW Standard 1 Pte. Ltd., UMW Standard 3 Pte. Ltd. and UMW Standard Drilling Sdn. Bhd.

On 30 November 2009, UMW Naga Two (L) Ltd., UMW Naga Three (L) Ltd. and UMW Malaysian Ventures Sdn. Bhd., all wholly-owned subsidiaries of the Group, entered into three separate Share Purchase Agreements with Singapore Drilling AS ("SDA") for the acquisition of SDA's equity interests of 49% of UMW Standard 1 Pte. Ltd. ("Std 1"), 49% of UMW Standard 3 Pte. Ltd. ("Std 3") and 15% of UMW Standard Drilling Sdn. Bhd. ("USD"), respectively, for a total consideration of USD46,500,000 (equivalent to approximately RM157,639,000). Upon completion of these acquisitions, Std 1, Std 3 and USD became wholly-owned subsidiaries of the Group.

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

	2009 RM'000
Revenue	-
Loss from operations/net loss for the year	<u>(3,604)</u>

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

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 6)	442,734	534,088
Trade and other receivables	1,776	1,776
Cash and bank balances	14,004	14,004
	<u>458,514</u>	<u>549,868</u>
Trade and other payables	(8,074)	(8,074)
Bank borrowings	(293,192)	(293,192)
Taxation	(24)	(24)
	<u>(301,290)</u>	<u>(301,290)</u>
Fair value of net assets acquired	157,224	248,578
Goodwill on consolidation (Note 9(a))	415	
Cost of acquisition	<u>157,639</u>	

The cash outflows on acquisitions is as follows:

Cash and cash equivalents of subsidiaries acquired	14,004
Purchase consideration satisfied by cash	(157,639)
Net cash outflow of the Group	<u>(143,635)</u>

4. INVESTMENTS (CONT'D.)

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

(iii) Acquisitions of subsidiaries during the financial year ended 31 December 2009 (Cont'd.)

**(bb) Synergistic Generation Sdn. Bhd., MK Automotive Industries Limited, Dongshin Motech Private Limited and UMW Oil & Gas Corporation Sdn. Bhd.**

On 13 January 2009, UMW Malaysian Ventures Sdn. Bhd., a wholly-owned subsidiary of the 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") from Encik Azhari bin Ngadenan @ Adnan, for a cash consideration of RM10 million. On completion of the acquisition, SGSB became a 60%-owned subsidiary of the Group.

On 8 July 2009, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Group, was allotted 852,020 ordinary shares of par value USD1 each in MK Automotive Industries Limited ("MKAIL") for a total cash consideration of USD852,020. This had the effect of increasing UMWC's equity interest in MKAIL from 50% to 55%. On the same day, MKAIL was allotted 6,126,720 ordinary shares of par value INR10 each in Dongshin Motech Private Limited ("DMPL"), for a total cash consideration of INR61,267,200. Consequent to the allotment, MKAIL's equity interest in DMPL increased from 50% to 60%. Following the above allotment, both MKAIL and DMPL became subsidiaries of the Group from jointly controlled entities.

On 30 November 2009, UMW Oil & Gas Berhad, a wholly-owned subsidiary of the Group acquired the entire issued and paid-up capital of UMW Oil & Gas Corporation Sdn. Bhd., comprising two ordinary shares of RM1 each for a total cash consideration of RM2.

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

	<b>2009</b>
	<b>RM'000</b>
Revenue	<b>23,226</b>
Loss from operations	<b>(1,874)</b>
Net loss for the year	<b>(3,040)</b>

4. INVESTMENTS (CONT'D.)

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

(iii) Acquisitions of subsidiaries during the financial year ended 31 December 2009 (Cont'd.)

(bb) Synergistic Generation Sdn. Bhd., MK Automotive Industries Limited, Dongshin Motech Private Limited and UMW Oil & Gas Corporation Sdn. Bhd. (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:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 6)	35,976	35,976
Inventories	3,754	3,754
Trade and other receivables	21,199	21,199
Cash and bank balances	6,032	6,032
	<u>66,961</u>	<u>66,961</u>
Trade and other payables	(18,329)	(18,329)
Bank borrowings	(25,483)	(25,483)
Taxation	(140)	(140)
	<u>(43,952)</u>	<u>(43,952)</u>
Fair value of net assets	23,009	23,009
Less: Minority interests	(17,451)	(17,451)
Fair value of net assets acquired	5,558	5,558
Reduction in Group's reserves	398	
Goodwill on consolidation (Note 9(a))	7,184	
Cost of acquisition	<u>13,140</u>	

The cash outflows on acquisitions is as follows:

Total purchase consideration satisfied by cash:	
Paid in 2009	5,830
Paid in 2009 - Allotment of additional shares	3,110
Profit guarantee retained to be paid in future	4,200
	<u>13,140</u>
Cash and cash equivalents of subsidiaries acquired	6,032
Cash outflows of acquisitions	(5,830)
Net cash inflow of the Group	<u>202</u>



#### 4. INVESTMENTS (CONT'D.)

##### (a) Investments in Subsidiaries (Cont'd.)

##### (iv) Acquisitions of subsidiaries during the financial year ended 31 December 2008

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 the Group upon completion of the transaction.

On 22 April 2008, UMW India Ventures (L) Ltd., a 65%-owned subsidiary of the 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 the Group upon completion of the acquisition.

On 22 April 2008, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Group, 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, UMWC 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:

	<b>2008</b> <b>RM'000</b>
Revenue	66,616
Loss from operations	(2,365)
Net loss for the year	<u>(4,921)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**4. INVESTMENTS (CONT'D.)**

**(a) Investments in Subsidiaries (Cont'd.)**

**(iv) Acquisitions of subsidiaries during the financial year ended 31 December 2008 (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:

	<b>2008</b>	
	<b>Fair value recognised on acquisition RM'000</b>	<b>Acquiree's carrying amount RM'000</b>
Property, plant and equipment (Note 6)	17,880	17,880
Inventories	9,252	9,252
Trade and other receivables	13,360	13,360
Cash and bank balances	7,497	7,497
	<u>47,989</u>	<u>47,989</u>
Trade and other payables	(24,612)	(24,612)
Bank borrowings	(9,505)	(9,505)
Deferred tax liabilities (Note 18)	(70)	(70)
	<u>(34,187)</u>	<u>(34,187)</u>
Fair value of net assets	13,802	13,802
Less: Minority interests	(6,162)	(6,162)
Fair value of net assets acquired	<u>7,640</u>	<u>7,640</u>
Goodwill on consolidation	100,946	
Cost of acquisition	<u>108,586</u>	
Goodwill on consolidation		
- Group's share of goodwill (Note 9(a))		95,122
- Minority interests' share of goodwill		5,824
		<u>100,946</u>
The cash outflows on acquisitions is as follows:		
Total purchase consideration satisfied by cash:		
Paid in 2008		66,065
Paid in 2009		2,360
Profit guarantee retained to be paid in future		40,161
		<u>108,586</u>
Cash and cash equivalents of subsidiaries acquired		7,497
Cash outflows of acquisitions		(66,065)
Net cash outflow of the Group		<u>(58,568)</u>

4. INVESTMENTS (CONT'D.)

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

(v) Restructuring of a subsidiary

During the year, the internal group restructuring of the Company's 60%-owned subsidiary, PFP Holdings Pty. Ltd. ("PFP") was completed. The restructuring involved the acquisition of the balance of 40% equity interest in PFP not already owned, for a cash consideration of AUD8,000,000 and the disposal of some of PFP's subsidiaries for a cash consideration of AUD1. The net assets acquired and the carrying value of assets and liabilities disposed off are as follows:

	2009	
	RM'000	RM'000
40% of PFP net assets acquired		12,760
Asset and liabilities disposed off:		
Property, plant and equipment (Note 6)	49,151	
Deferred tax assets	3,115	
Inventories	5,427	
Trade receivables	9,920	
Other receivables	13,040	
Deposits, cash and bank balances	1,825	
	<u>82,478</u>	
Trade payables	(37,110)	
Other payables	(21,802)	
Due to related parties	(32,032)	
Taxation	(3,385)	
Deferred tax liabilities	(217)	
	<u>(94,546)</u>	
Fair value of net liabilities disposed off	(12,068)	
Minority interests' share of net liabilities	5,035	
Share of net liabilities disposed off		<u>7,033</u>
Total net assets acquired		19,793
Goodwill written off		4,330
Purchase consideration		<u>24,123</u>

4. INVESTMENTS (CONT'D.)

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

(vi) Acquisition of additional interests in subsidiaries and associates

(aa) UMW Linepipe (L) Ltd., UMW ACE (BVI) Ltd., Shanghai Tube-Cote Petroleum Pipe Coating Co. Ltd. and Jiangsu Tube-Cote Shuguang Coating Co. Ltd.

On 19 November 2008, UMW Petropipe (L) Ltd., a wholly-owned subsidiary of the Group, 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 ACETubular 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.

On 21 January 2009, the above acquisitions were completed and UMW's effective interests in the four-mentioned companies are as shown below:

UMW's shareholding	Pre-acquisition %	Post-acquisition %
UMW Linepipe	51	66.1
UMW ACE	60	70
STPPC	40	49
JTSC	20	28.1

The effects of the acquisition of additional equity interest are:

	RM'000
Purchase consideration satisfied by cash	76,319
Book value of net assets acquired	4,987
Goodwill on acquisition (Note 9(a))	<u>71,332</u>

4. INVESTMENTS (CONT'D.)

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

(vi) Acquisition of additional interests in subsidiaries and associates (Cont'd.)

(bb) UMW India Ventures (L) Ltd.

On 18 September 2009, UMW Petropipe (L) Ltd. ("UMW Petropipe"), a wholly-owned subsidiary of the Group, entered into a Share Sale Agreement with MK India Ventures (Labuan) Pte. Ltd. for the acquisition of 2,691,000 ordinary shares of USD1.00 each, representing 10% of the total issued and paid-up share capital of UMW India Ventures (L) Ltd. ("UMWIV"), for a total cash consideration of USD18.2 million (equivalent to approximately RM63.16 million). The acquisition will be effected in 2 tranches of 5% each. Acquisition of the first 5% was completed in September 2009.

The effects of the acquisition of additional 5% equity interest are:

	RM'000
Purchase consideration satisfied by cash	30,974
Book value of net assets acquired	3,372
Goodwill on acquisition (Note 9(a))	<u>27,602</u>

The acquisition of the balance 5% equity interest is expected to be completed by 31 March 2010. On completion of the acquisitions, UMW Petropipe's equity interest in UMWIV will increase from 65% to 75%.

(cc) Offshore Construction Pte. Ltd.

On 27 October 2009, UMW Petropipe (L) Ltd. ("UMW Petropipe") together with its 70%-owned subsidiary, Vina Offshore Holdings Pte. Ltd. ("Vina"), proposed to undertake an internal restructuring exercise involving the transfer 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 capital in Offshore Construction Services Pte. Ltd. ("OCS") to UMW Singapore Ventures Pte. Ltd. ("UMW SV"), a wholly-owned subsidiary of UMW Petropipe for a cash consideration of SGD5,600,000 (equivalent to approximately RM13.61million) and SGD4,987,524 (equivalent to approximately RM12.12million), respectively. Upon completion of the internal restructuring, OCS became a 60%-owned subsidiary of the Group.

The effects of the acquisition of additional equity interest are:

	RM'000
Purchase consideration satisfied by cash	2,559
Book value of net assets acquired	1,365
Goodwill on acquisition (Note 9(a))	<u>1,194</u>

4. INVESTMENTS (CONT'D.)

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

On 22 April 2008, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Group, 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 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 of the Group, entered into a Share Purchase and Investment Agreement with Standard Drilling Far East Pte. Ltd. and UMW 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 of the 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 of the Group upon completion of the acquisition.

On 10 October 2008, UMWC 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.

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

	<b>2008</b> <b>RM'000</b>
Loss from operations	(27)
Net loss for the year	(32)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 4. INVESTMENTS (CONT'D.)

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

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	
	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
Other receivables	1,234	1,234
Cash and bank balances	1,860	1,860
	<u>136,756</u>	<u>118,127</u>
Trade and other payables	(564)	(564)
Due to related parties	(9,414)	(9,414)
	<u>(9,978)</u>	<u>(9,978)</u>
Fair value of net assets acquired	126,778	
Goodwill on consolidation	-	
Cost of acquisition	<u>126,778</u>	

The cash outflows on acquisitions is as follows:

Total purchase consideration satisfied by cash:	
Paid in 2007	70,106
Paid in 2008	56,672
	<u>126,778</u>
Cash and cash equivalents of jointly controlled entities acquired	1,860
Cash outflows of acquisitions	(56,672)
Net cash outflow of the Group	<u>(54,812)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 4. INVESTMENTS (CONT'D.)

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

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

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
<b>Assets and liabilities</b>		
Current assets	<b>54,055</b>	28,543
Non-current assets	<b>205,913</b>	181,804
Total assets	<b>259,968</b>	210,347
Current liabilities	<b>23,632</b>	59,987
Non-current liabilities	<b>170,321</b>	-
Total liabilities	<b>193,953</b>	59,987
<b>Results</b>		
Revenue	-	-
Loss for the year	<b>(3,287)</b>	(32)
The Group's interest in capital commitments of the joint ventures are as follows:		
- approved and contracted for	<b>40,119</b>	242,376
- approved and not contracted for	<b>11,359</b>	35,850

#### (c) Investments in Associates

	<b>Group</b>	
	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Unquoted shares, at cost	<b>513,718</b>	486,286
Share of post-acquisition reserves	<b>823,391</b>	865,268
	<b>1,337,109</b>	1,351,554
Asset accretion arising from issue of new shares	<b>117,089</b>	117,089
Accumulated impairment loss	<b>(522)</b>	(522)
	<b>1,453,676</b>	1,468,121

The Group's share of results of associates is based on the audited or management financial statements of the associated companies for the year ended 31 December 2009.

The carrying value of the investment in associates is represented by:

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Group's share of aggregate net assets	<b>1,355,124</b>	1,391,540
Group's goodwill on acquisition	<b>98,552</b>	76,581
	<b>1,453,676</b>	1,468,121



4. INVESTMENTS (CONT'D.)

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

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

The financial statements of the associates 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. 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 2009 of these companies have been used.

The summarised financial information of the associates are as follows:

	2009 RM'000	2008 RM'000
<b>Assets and liabilities</b>		
Current assets	7,673,512	7,313,563
Non-current assets	3,976,657	3,319,115
Total assets	<u>11,650,169</u>	<u>10,632,678</u>
Current liabilities	4,203,393	4,032,247
Non-current liabilities	3,158,798	2,118,708
Total liabilities	<u>7,362,191</u>	<u>6,150,955</u>
<b>Results</b>		
Revenue	10,869,117	10,835,763
Profit for the year	<u>181,122</u>	<u>677,594</u>

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

	2009 RM'000	2008 RM'000
<b>Goodwill</b>		
At 1 January	76,581	74,851
Arising during the year	21,971	1,730
At 31 December	<u>98,552</u>	<u>76,581</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**4. INVESTMENTS (CONT'D.)**

**(d) Other Financial Assets**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Shares quoted outside Malaysia, at cost	<b>50,705</b>	50,705
Unquoted shares, at cost	<b>8,213</b>	8,609
Cash fund/unit trust, at cost	<b>141,231</b>	64,025
	<b>200,149</b>	123,339
Accumulated impairment loss		
- unquoted shares	<b>(6,438)</b>	(3,322)
- quoted shares	-	(33,713)
- cash fund	<b>(131)</b>	(11)
	<b>(6,569)</b>	(37,046)
	<b>193,580</b>	86,293
Market value of cash fund/unit trust	<b>141,100</b>	64,014
Market value of shares quoted outside Malaysia	<b>62,242</b>	18,752

**5. INVESTMENT PROPERTIES**

	<b>Freehold land RM'000</b>	<b>Building on freehold land RM'000</b>	<b>Building on long term leasehold land RM'000</b>	<b>Building on short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>Group</b>					
<b>Cost</b>					
At 1 January 2008	129	260	291	19,434	20,114
Exchange differences	-	-	-	870	870
At 31 December 2008	<b>129</b>	<b>260</b>	<b>291</b>	<b>20,304</b>	<b>20,984</b>
Exchange differences	-	-	-	182	182
Additions	-	<b>1,350</b>	<b>150</b>	-	<b>1,500</b>
Disposals	-	-	<b>(180)</b>	<b>(1,555)</b>	<b>(1,735)</b>
Write-off	-	-	<b>(37)</b>	-	<b>(37)</b>
Reclassified to property, plant and equipment (Note 6)	-	-	-	<b>(18,931)</b>	<b>(18,931)</b>
At 31 December 2009	<b>129</b>	<b>1,610</b>	<b>224</b>	-	<b>1,963</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**5. INVESTMENT PROPERTIES (CONT'D.)**

<b>Group (Cont'd.)</b>	<b>Freehold land RM'000</b>	<b>Building on freehold land RM'000</b>	<b>Building on long term leasehold land RM'000</b>	<b>Building on short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>Accumulated Depreciation</b>					
1 January 2008	-	99	84	5,753	5,936
Exchange differences	-	-	-	265	265
Charge for the year	-	5	8	386	399
At 31 December 2008	-	<b>104</b>	<b>92</b>	<b>6,404</b>	<b>6,600</b>
Exchange differences	-	-	-	<b>57</b>	<b>57</b>
Charge for the year	-	<b>5</b>	<b>3</b>	<b>303</b>	<b>311</b>
Disposals	-	-	<b>(79)</b>	<b>(332)</b>	<b>(411)</b>
Write-off	-	-	<b>(8)</b>	-	<b>(8)</b>
Reclassification	-	-	<b>132</b>	<b>(132)</b>	-
Reclassified to property, plant and equipment (Note 6)	-	-	-	<b>(6,300)</b>	<b>(6,300)</b>
At 31 December 2009	-	<b>109</b>	<b>140</b>	-	<b>249</b>
<b>Net Carrying Amount</b>					
At 31 December 2009	<b>129</b>	<b>1,501</b>	<b>84</b>	-	<b>1,714</b>
At 31 December 2008	129	156	199	13,900	14,384

Fair value of investment properties as at 31 December 2009 was estimated by the directors to be approximately RM2,075,000 (2008: RM20 million) based on internal appraisal of market values of comparable properties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

6. PROPERTY, PLANT AND EQUIPMENT

Group	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In- Progress RM'000	**Other Assets RM'000	Total RM'000
<b>Cost/Valuation</b>					
At 1 January 2008	698,542	763,886	224,009	345,316	2,031,753
Exchange differences	(394)	(592)	19,608	(399)	18,223
Additions	20,551	200,876	246,845	47,594	515,866
Acquisitions of:					
- subsidiaries (Note 4(a)(iv))	11,453	7,609	-	2,082	21,144
- jointly controlled entities (Note 4(b))	-	8	133,546	27	133,581
Write-off	-	(1,044)	-	(6,250)	(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	<b>746,987</b>	<b>945,033</b>	<b>581,760</b>	<b>378,072</b>	<b>2,651,852</b>
Exchange differences	<b>1,402</b>	<b>223</b>	<b>2,787</b>	<b>1,908</b>	<b>6,320</b>
Additions	<b>13,570</b>	<b>254,351</b>	<b>196,108</b>	<b>48,740</b>	<b>512,769</b>
Reclassified from leased assets	-	<b>133</b>	-	-	<b>133</b>
Reclassified from investment properties	<b>18,931</b>	-	-	-	<b>18,931</b>
Reclassified to prepaid land lease payments	<b>(179)</b>	-	-	-	<b>(179)</b>
Acquisitions of subsidiaries (Note 4(a)(iii))	-	<b>424,746</b>	<b>53,286</b>	<b>1,331</b>	<b>479,363</b>
Restructuring of a subsidiary (Note 4(a)(v))	<b>(2,522)</b>	<b>(45,550)</b>	<b>(12,497)</b>	<b>(3,677)</b>	<b>(64,246)</b>
Dilution of interest in a jointly controlled entity	-	<b>(29)</b>	<b>(18,222)</b>	<b>(18)</b>	<b>(18,269)</b>
Write-off	<b>(1,872)</b>	<b>(5,237)</b>	-	<b>(10,408)</b>	<b>(17,517)</b>
Disposals	-	<b>(5,263)</b>	<b>(1,104)</b>	<b>(9,727)</b>	<b>(16,094)</b>
Reclassification	<b>20,933</b>	<b>419,857</b>	<b>(449,436)</b>	<b>8,646</b>	-
At 31 December 2009	<b>797,250</b>	<b>1,988,264</b>	<b>352,682</b>	<b>414,867</b>	<b>3,553,063</b>
At 31 December 2009					
At cost	<b>773,228</b>	<b>1,988,264</b>	<b>352,682</b>	<b>414,867</b>	<b>3,529,041</b>
At valuation	<b>24,022</b>	-	-	-	<b>24,022</b>
	<b>797,250</b>	<b>1,988,264</b>	<b>352,682</b>	<b>414,867</b>	<b>3,553,063</b>
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

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

Group (Cont'd.)	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In- Progress RM'000	**Other Assets RM'000	Total RM'000
<b>Accumulated Depreciation and Impairment Losses</b>					
At 1 January 2008	126,861	405,797	-	220,740	753,398
Exchange differences	102	(3,248)	-	(1,151)	(4,297)
Acquisitions of:					
- subsidiaries (Note 4(a)(iv))	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-off	-	(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	<b>143,363</b>	<b>476,090</b>	-	<b>240,037</b>	<b>859,490</b>
Exchange differences	<b>131</b>	<b>(27)</b>	-	<b>5</b>	<b>109</b>
Acquisitions of subsidiaries (Note 4(a)(iii))	-	<b>140</b>	-	<b>513</b>	<b>653</b>
Charge for the year	<b>16,273</b>	<b>114,159</b>	-	<b>45,216</b>	<b>175,648</b>
Reclassified from leased assets	-	<b>86</b>	-	-	<b>86</b>
Reclassified from investment properties	<b>6,300</b>	-	-	-	<b>6,300</b>
Write-off	-	<b>(4,452)</b>	-	<b>(9,915)</b>	<b>(14,367)</b>
Restructuring of a subsidiary (Note 4(a)(v))	<b>(393)</b>	<b>(12,761)</b>	-	<b>(1,941)</b>	<b>(15,095)</b>
Disposals	-	<b>(3,498)</b>	-	<b>(4,238)</b>	<b>(7,736)</b>
Dilution of interest in a jointly controlled entity	-	<b>(2)</b>	-	<b>(1)</b>	<b>(3)</b>
Impairment	-	<b>1,969</b>	-	-	<b>1,969</b>
Reclassification	<b>(313)</b>	<b>(497)</b>	-	<b>810</b>	-
At 31 December 2009	<b>165,361</b>	<b>571,207</b>	-	<b>270,486</b>	<b>1,007,054</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

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

	<b>*Land and Buildings RM'000</b>	<b>Plant and Machinery RM'000</b>	<b>Assets-In- Progress RM'000</b>	<b>**Other Assets RM'000</b>	<b>Total RM'000</b>
<b>Group (Cont'd.)</b>					
<b>Accumulated Depreciation and Impairment Losses (Cont'd.)</b>					
At 31 December 2009					
At cost	<b>153,331</b>	<b>571,207</b>	-	<b>270,486</b>	<b>995,024</b>
At valuation	<b>12,030</b>	-	-	-	<b>12,030</b>
	<b>165,361</b>	<b>571,207</b>	-	<b>270,486</b>	<b>1,007,054</b>
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
<b>Net Carrying Amount</b>					
At 31 December 2009					
At cost	<b>619,897</b>	<b>1,417,057</b>	<b>352,682</b>	<b>144,381</b>	<b>2,534,017</b>
At valuation	<b>11,992</b>	-	-	-	<b>11,992</b>
	<b>631,889</b>	<b>1,417,057</b>	<b>352,682</b>	<b>144,381</b>	<b>2,546,009</b>
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

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

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

**\*LAND AND BUILDINGS**

	<b>Freehold land RM'000</b>	<b>Buildings on freehold land RM'000</b>	<b>Buildings on long term leasehold land RM'000</b>	<b>Buildings on short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>Cost/Valuation</b>					
At 1 January 2008	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
Acquisitions of subsidiaries (Note 4(a)(iv))	3,182	881	7,390	-	11,453
Disposals	-	-	(7,261)	(55)	(7,316)
Reclassification	-	2,664	21,487	-	24,151
At 31 December 2008	<b>139,456</b>	<b>156,098</b>	<b>161,378</b>	<b>290,055</b>	<b>746,987</b>
Exchange differences	<b>496</b>	<b>142</b>	<b>112</b>	<b>652</b>	<b>1,402</b>
Additions	<b>872</b>	<b>3,356</b>	<b>9,094</b>	<b>248</b>	<b>13,570</b>
Reclassified from investment properties	-	-	-	<b>18,931</b>	<b>18,931</b>
Reclassified to prepaid land lease payments	-	-	<b>(179)</b>	-	<b>(179)</b>
Restructuring of a subsidiary (Note 4(a)(v))	-	-	-	<b>(2,522)</b>	<b>(2,522)</b>
Write-off	<b>(450)</b>	-	<b>(1,422)</b>	-	<b>(1,872)</b>
Reclassification	<b>(1,396)</b>	<b>2,463</b>	<b>19,819</b>	<b>47</b>	<b>20,933</b>
At 31 December 2009	<b>138,978</b>	<b>162,059</b>	<b>188,802</b>	<b>307,411</b>	<b>797,250</b>
At 31 December 2009					
At cost	<b>138,978</b>	<b>161,519</b>	<b>165,564</b>	<b>307,167</b>	<b>773,228</b>
At valuation	-	<b>540</b>	<b>23,238</b>	<b>244</b>	<b>24,022</b>
	<b>138,978</b>	<b>162,059</b>	<b>188,802</b>	<b>307,411</b>	<b>797,250</b>
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

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

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

**\*LAND AND BUILDINGS (CONT'D.)**

	<b>Freehold land RM'000</b>	<b>Buildings on freehold land RM'000</b>	<b>Buildings on long term leasehold land RM'000</b>	<b>Buildings on short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>Accumulated Depreciation and Impairment Losses</b>					
At 1 January 2008	-	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
Acquisitions of subsidiaries (Note 4(a)(iv))	-	30	332	-	362
Disposals	-	-	(564)	-	(564)
Reclassification	-	-	92	-	92
At 31 December 2008	-	<b>17,538</b>	<b>53,255</b>	<b>72,570</b>	<b>143,363</b>
Exchange differences	-	<b>28</b>	-	<b>103</b>	<b>131</b>
Charge for the year	-	<b>3,268</b>	<b>11,766</b>	<b>1,239</b>	<b>16,273</b>
Restructuring of a subsidiary (Note 4(a)(v))	-	-	-	<b>(393)</b>	<b>(393)</b>
Reclassified from investment properties	-	-	-	<b>6,300</b>	<b>6,300</b>
Reclassification	-	-	<b>(450)</b>	<b>137</b>	<b>(313)</b>
At 31 December 2009	-	<b>20,834</b>	<b>64,571</b>	<b>79,956</b>	<b>165,361</b>
At 31 December 2009					
At cost	-	<b>20,688</b>	<b>52,931</b>	<b>79,712</b>	<b>153,331</b>
At valuation	-	<b>146</b>	<b>11,640</b>	<b>244</b>	<b>12,030</b>
	-	<b>20,834</b>	<b>64,571</b>	<b>79,956</b>	<b>165,361</b>
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
<b>Net Carrying Amount</b>					
At 31 December 2009					
At cost	<b>138,978</b>	<b>140,831</b>	<b>112,633</b>	<b>227,455</b>	<b>619,897</b>
At valuation	-	<b>394</b>	<b>11,598</b>	-	<b>11,992</b>
	<b>138,978</b>	<b>141,225</b>	<b>124,231</b>	<b>227,455</b>	<b>631,889</b>
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



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

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

\*\* Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.

(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:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Land and building	<b>10,370</b>	6,285
Plant and machinery	<b>255,416</b>	173,227
Office equipment, furniture and fittings and motor vehicles	<b>172,953</b>	119,175

(b) Details of independent professional valuations of land and buildings owned by the Group at 31 December 2009 which are carried at valuation are as follows:

<b>Year of Valuation</b>	<b>Description of Property</b>	<b>Amount RM'000</b>	<b>Basis of Valuation</b>
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 RM2,788,674 (2008: RM3,666,707).

(e) Interest expense capitalised during the financial year under asset-in-progress of the Group amounted to RM27,283,000 (2008: RM912,000), as disclosed in Note 26.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

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

- (f) The net book values of property, plant and equipment pledged for borrowings (Note 16 & Note 19) are as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Assets-in-progress	<b>235,554</b>	-
Land and buildings	<b>14,178</b>	13,853
Others	<b>10,947</b>	13,522
	<b>260,679</b>	27,375

**7. PREPAID LAND LEASE PAYMENTS**

	<b>Long term leasehold land RM'000</b>	<b>Short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
<b>Cost</b>			
At 1 January 2008	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	<b>230,545</b>	<b>31,378</b>	<b>261,923</b>
Exchange differences	(91)	(73)	(164)
Additions	<b>38,474</b>	-	<b>38,474</b>
Disposals	(250)	-	(250)
Reclassified from property, plant and equipment (Note 6)	179	-	179
At 31 December 2009	<b>268,857</b>	<b>31,305</b>	<b>300,162</b>
<b>Accumulated Depreciation and Impairment Losses</b>			
At 1 January 2008	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	<b>29,949</b>	<b>10,314</b>	<b>40,263</b>
Exchange differences	(52)	(17)	(69)
Charge for the year	<b>4,556</b>	<b>675</b>	<b>5,231</b>
Disposals	(140)	-	(140)
At 31 December 2009	<b>34,313</b>	<b>10,972</b>	<b>45,285</b>
<b>Net Carrying Amount</b>			
At 31 December 2009	<b>234,544</b>	<b>20,333</b>	<b>254,877</b>
At 31 December 2008	200,596	21,064	221,660

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**8. LEASED ASSETS**

	<b>Machinery and Equipment RM'000</b>
<b>Group</b>	
<b>Cost</b>	
At 1 January 2008	246,021
Exchange differences	4,826
Additions	97,237
Write-off	(232)
Disposals	(61,054)
At 31 December 2008	<b>286,798</b>
Exchange differences	<b>(326)</b>
Additions	<b>48,155</b>
Reclassified to property, plant and equipment (Note 6)	<b>(133)</b>
Reclassified from inventories	<b>37,785</b>
Write-off	<b>(52)</b>
Disposals	<b>(46,127)</b>
At 31 December 2009	<b>326,100</b>
<b>Accumulated Depreciation and Impairment Losses</b>	
At 1 January 2008	108,922
Exchange differences	2,079
Charge for the year	49,057
Write-off	(230)
Disposals	(32,225)
Impairment of assets	1,296
At 31 December 2008	<b>128,899</b>
Exchange differences	<b>(151)</b>
Charge for the year	<b>54,373</b>
Reclassified to property, plant and equipment (Note 6)	<b>(86)</b>
Write-off	<b>(51)</b>
Disposals	<b>(27,337)</b>
Impairment	<b>513</b>
At 31 December 2009	<b>156,160</b>
<b>Net Book Value</b>	
At 31 December 2009	<b>169,940</b>
At 31 December 2008	<b>157,899</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 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:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within 1 year	<b>81,960</b>	72,626
Due between 1 and 2 years	<b>50,313</b>	42,431
Due between 2 and 5 years	<b>39,430</b>	28,853
Due after 5 years	<b>17,000</b>	15,000
	<b><u>188,703</u></b>	<u>158,910</u>

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM71,276,000 (2008: RM51,579,000).

### 9. INTANGIBLE ASSETS

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Goodwill on consolidation (Note a)	<b>241,286</b>	131,246
Product development expenditure (Note b)	<b>212</b>	1,660
	<b><u>241,498</u></b>	<u>132,906</u>

#### (a) Goodwill on Consolidation

At 1 January	<b>131,246</b>	44,636
Arising from acquisitions of subsidiaries (Note 4(a)(iii)/Note 4(a)(iv))	<b>7,599</b>	95,122
Arising from acquisitions of additional shares (Note 4(a)(vi))	<b>100,128</b>	2,304
Written off	<b>(415)</b>	-
Profit guarantee compensation*	-	(1,933)
Exchange differences	<b>2,728</b>	(8,883)
At 31 December	<b><u>241,286</u></b>	<u>131,246</u>

\* The profit guarantee compensation in prior year was 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 payment was accounted for as a reduction in the Group's costs of investment in UOI and consequently, goodwill arising from the acquisition.

#### (b) Product Development Expenditure

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>1,660</b>	1,948
Additions	<b>127</b>	138
Charged to income statement	<b>(1,575)</b>	(426)
At 31 December	<b><u>212</u></b>	<u>1,660</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**9. INTANGIBLE ASSETS (CONT'D.)**

**(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:

	<b>Malaysia RM'000</b>	<b>People's Republic of China RM'000</b>	<b>India RM'000</b>	<b>Singapore RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2009</b>					
Oil & Gas	18,474	78,942	60,104	16,724	174,244
Manufacturing & Engineering	3,104	-	70,011	-	73,115
Others	81	-	-	-	81
	<u>21,659</u>	<u>78,942</u>	<u>130,115</u>	<u>16,724</u>	<u>247,440</u>
Exchange differences	-	-	(6,951)	797	(6,154)
	<u>21,659</u>	<u>78,942</u>	<u>123,164</u>	<u>17,521</u>	<u>241,286</u>
<b>At 31 December 2008</b>					
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>

**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-year period are computed based on year five cash flow into perpetuity. Key assumptions used for value-in-use calculations are:

	<b>Gross Margin</b>		<b>Discount Rates</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Oil & Gas:				
People's Republic of China	<b>11.0</b>	9.0	<b>12.0</b>	10.0
India	<b>18.0 - 37.0</b>	22.0	<b>7.2 - 13.0</b>	10.0 - 12.0
Manufacturing & Engineering:				
India	<b>25.0 - 35.0</b>	8.8	<b>14.0</b>	11.0

9. INTANGIBLE ASSETS (CONT'D.)

(c) Impairment Tests For Goodwill (Cont'd.)

**Key assumptions used in value-in-use calculations (Cont'd.)**

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 yields on 5-year government bond rates of the respective country at the beginning of the budgeted year.

**Sensitivity to changes in assumptions**

With regard to the assessment of value in use of the above stated business 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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	<b>1,413,534</b>	1,208,976	<b>5,000</b>	4,969
Cash and bank balances	<b>319,756</b>	328,826	<b>415</b>	1,291
	<b>1,733,290</b>	1,537,802	<b>5,415</b>	6,260

Deposits with licensed banks and bank balances of the Group amounting to RM1,361,000 (2008:RM802,600) are pledged to banks for credit facilities granted to subsidiaries in 2009 (Note 19).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 10. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

The range of interest rates of deposits at the balance sheet date was as follows:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Deposits with licensed banks	<b>0.1 - 9.0</b>	0.2 - 10.0	<b>2.2</b>	3.1

The range of maturities of deposits as at the end of the financial year were as follows:

	Average Maturity			
	Group		Company	
	2009 Days	2008 Days	2009 Days	2008 Days
Deposits with licensed banks	<b>2 - 365</b>	2 - 200	<b>92</b>	31

### 11. RECEIVABLES

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables (Note a)	<b>641,881</b>	757,676	-	-
Other receivables (Note b)	<b>255,390</b>	180,242	<b>317</b>	39
	<b>897,271</b>	937,918	<b>317</b>	39
Due from wholly-owned subsidiaries (Note c)	-	-	<b>1,066,350</b>	489,347

#### (a) Trade Receivables

	Group	
	2009 RM'000	2008 RM'000
Trade receivables	<b>616,165</b>	719,388
Provision for doubtful debts	<b>(32,689)</b>	(36,081)
	<b>583,476</b>	683,307
Due from associated companies	<b>45,553</b>	52,477
Due from a corporate shareholder of a subsidiary	<b>12,852</b>	21,892
	<b>641,881</b>	757,676

The Group's normal trade credit terms range from 1 day to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The amount due from associates and due from a corporate shareholder of a subsidiary are trade in nature, unsecured, interest-free and have repayment terms of 30 to 60 days (2008: 30 to 60 days).

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 11. RECEIVABLES (CONT'D.)

#### (b) Other Receivables

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accrued income	9,556	5,776	-	1
Tax recoverable	4,222	4,212	-	-
Deposits	101,333	27,728	5	5
Prepayments	47,364	57,859	312	33
Sundry receivables	116,143	95,401	-	-
	<b>278,618</b>	190,976	<b>317</b>	39
Provision for doubtful debts	(23,228)	(10,734)	-	-
	<b>255,390</b>	180,242	<b>317</b>	39

#### (c) Due from Wholly-Owned Subsidiaries

The amount due from wholly-owned subsidiaries are unsecured, interest bearing and is payable on demand.

### 12. INVENTORIES

	Group	
	2009 RM'000	2008 RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	1,127,476	1,235,833
Other finished goods	97,001	60,695
Work-in-progress	26,493	97,549
Raw materials and consumables	45,617	43,522
	<b>1,296,587</b>	1,437,599
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	6,013	14,893
Other finished goods	604	216
Raw materials and consumables	369	1,122
	<b>6,986</b>	16,231
	<b>1,303,573</b>	1,453,830

During the financial year, there was a reversal of a write down of inventories of RM5.75 million (2008: RM6.95 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 RM8.32 billion (2008: RM9.92 billion).



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 13. NON-CURRENT ASSETS HELD FOR SALE

This represents long term leasehold land with a carrying value of RM3,535,000 (2008: RM3,535,000). The lease will expire on 16 April 2094.

The Group had entered into Sale and Purchase Agreements ("SPA") to dispose part of its leasehold land as detailed below:

<b>Date of SPA</b>	<b>Name of Buyer</b>	<b>Purchase Consideration RM'000</b>	<b>Status as at 31 December 2009</b>
24 March 2008	Innosteel Sdn.Bhd.	7,956	* Pending completion
28 December 2009	TGM Realty Sdn. Bhd.	<b>6,835</b>	* Pending completion

\* *The Group has applied for sub-division of the land from the relevant Authorities. Upon getting approval, separate title documents will be issued and the Sale and Purchase will be completed.*

### 14. SHARE CAPITAL

	<b>Number of Ordinary Shares of RM0.50 Each</b>		<b>Amount</b>	
	<b>2009 '000</b>	<b>2008 '000</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>(a) Authorised:</b>				
At 1 January/31 December	<u><b>1,200,000</b></u>	<u>1,200,000</u>	<u><b>600,000</b></u>	<u>600,000</u>
<b>(b) Issued and fully paid:</b>				
At 1 January	<b>1,092,143</b>	1,075,421	<b>546,072</b>	537,711
Issued under the ESOS	<u><b>27,173</b></u>	<u>16,722</u>	<u><b>13,586</b></u>	<u>8,361</u>
At 31 December	<u><b>1,119,316</b></u>	<u>1,092,143</u>	<u><b>559,658</b></u>	<u>546,072</u>

#### (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.

#### 14. SHARE CAPITAL (CONT'D.)

##### (d) Employee Share Option Scheme (Cont'd.)

- (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.
- (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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**14. SHARE CAPITAL (CONT'D.)**

**(d) Employee Share Option Scheme (Cont'd.)**

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	<----- 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
<b>2009</b>							
<b>Exercise Price</b>							
<b>RM</b>							
Options Granted in 2006							
3.335	4,500	-	2,799	29	-	1,672	1,672
3.330	9,103	-	5,779	-	108	3,216	3,216
3.325	564	-	275	-	-	289	289
	<b>14,167</b>	<b>-</b>	<b>8,853</b>	<b>29</b>	<b>108</b>	<b>5,177</b>	<b>5,177</b>
WAEP	<b>3.331</b>	<b>-</b>	<b>3.331</b>	<b>3.335</b>	<b>3.330</b>	<b>3.331</b>	<b>3.331</b>
Options Granted in 2008							
5.160	23,922	-	6,103	215	21	17,583	17,583
4.930	39,384	-	12,008	526	173	26,677	26,677
	<b>63,306</b>	<b>-</b>	<b>18,111</b>	<b>741</b>	<b>194</b>	<b>44,260</b>	<b>44,260</b>
WAEP	<b>5.017</b>	<b>-</b>	<b>5.008</b>	<b>4.997</b>	<b>4.955</b>	<b>5.021</b>	<b>5.021</b>
<b>2008</b>							
<b>Exercise Price</b>							
<b>RM</b>							
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
	<b>31,258</b>	<b>-</b>	<b>16,839</b>	<b>172</b>	<b>80</b>	<b>14,167</b>	<b>14,167</b>
WAEP	<b>3.332</b>	<b>-</b>	<b>3.332</b>	<b>3.331</b>	<b>3.334</b>	<b>3.331</b>	<b>3.331</b>
Options Granted in 2008							
5.160	-	23,996	-	74	-	23,922	23,922
4.930	-	39,390	-	6	-	39,384	39,384
	<b>-</b>	<b>63,386</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>63,306</b>	<b>63,306</b>
WAEP	<b>-</b>	<b>5.017</b>	<b>-</b>	<b>5.143</b>	<b>-</b>	<b>5.017</b>	<b>5.017</b>

14. SHARE CAPITAL (CONT'D.)

(d) Employee Share Option Scheme (Cont'd.)

(aa) Details of share options outstanding at the end of the year:

	WAEP RM	Exercise Period
<b>2009</b>		
Options granted in 2006	3.331	7 June 2006 - 17 April 2011
Options granted in 2008	5.021	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 27,173,300 (2008: 16,722,300) ordinary shares of RM0.50 each at an average price of RM4.457 (2008: RM3.332) per share of RM0.50 each. The related weighted average share price at the date of exercise was RM5.91 (2008: RM6.15).

(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:

Grant date	Options Granted in 2006		
	07.6.06	10.8.06	18.9.06
Option price per share of RM1.00 (RM)			
- before split	6.670	6.660	6.650
- after split	3.335	3.330	3.325
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
Grant date	Options Granted in 2008		
	21.10.08	01.12.08	
Option price per share of RM0.50 (RM)	5.160	4.930	
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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**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		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Secured</b>				
Term loan	299,226	113,129	-	-
Less: Amount payable within one year (Note 19)	(2,815)	(1,315)	-	-
	<u>296,411</u>	<u>111,814</u>	<u>-</u>	<u>-</u>
<b>Unsecured</b>				
Term loan	1,574,853	633,084	499,546	-
Less: Amount payable within one year (Note 19)	(22,806)	(27,117)	-	-
	<u>1,552,047</u>	<u>605,967</u>	<u>499,546</u>	<u>-</u>
Finance lease payable (Note 21)	2,140	1,736	-	-
	<u>1,554,187</u>	<u>607,703</u>	<u>499,546</u>	<u>-</u>
<b>Total long term liabilities</b>	<u>1,850,598</u>	<u>719,517</u>	<u>499,546</u>	<u>-</u>

The maturity and exposure to interest rate risk of the borrowings are as follows:

Group	RWAEIR* %	Within 1	1-2	2-5	More than	Total
		Year	Years	Years	5 years	
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2009</b>						
<b>Secured</b>						
- Floating rate	2.4 - 11.0	2,815	19,854	91,011	185,546	299,226
<b>Unsecured</b>						
- Floating rate	0.6 - 4.5	22,501	301,916	740,038	5,887	1,070,342
- Fixed rate	2.4 - 7.4	305	-	500,286	3,920	504,511
		<u>22,806</u>	<u>301,916</u>	<u>1,240,324</u>	<u>9,807</u>	<u>1,574,853</u>
		<u>25,621</u>	<u>321,770</u>	<u>1,331,335</u>	<u>195,353</u>	<u>1,874,079</u>
<b>31 December 2008</b>						
<b>Secured</b>						
- 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
		<u>1,315</u>	<u>2,616</u>	<u>9,834</u>	<u>99,364</u>	<u>113,129</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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### 16. LONG TERM LIABILITIES (CONT'D.)

#### Group (Cont'd.)

	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
<b>Unsecured</b>						
- 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

#### Company

31 December 2009

#### Unsecured

- Fixed rate	<b>4.55</b>	-	-	<b>499,546</b>	-	<b>499,546</b>
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\* Range of Weighted Average Effective Interest Rate ("RWAEIR")

The secured long term borrowings of the Group for the year 2009 were secured by first legal charge, fixed and floating charge and negative pledge over assets of certain subsidiaries, corporate guarantee of the Company and directors' personal guarantee of a subsidiary.

The secured long term borrowings of the Group for the year 2008 were secured by first legal charge, fixed and floating charge and negative pledge over assets of certain subsidiaries, corporate guarantee of the Company and certain subsidiaries, and directors' personal guarantee of certain subsidiaries.

### 17. PROVISION FOR LIABILITIES

	Retirement Benefits RM'000	Warranties RM'000	Total RM'000
<b>Group</b>			
At 1 January 2008	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	<b>1,577</b>	<b>109,038</b>	<b>110,615</b>
Charged to income statement	<b>(2,124)</b>	<b>49,256</b>	<b>47,132</b>
Utilised during the year	<b>(978)</b>	<b>(21,553)</b>	<b>(22,531)</b>
Reversed during the year	-	<b>(8,244)</b>	<b>(8,244)</b>
Exchange translation differences	<b>5</b>	<b>27</b>	<b>32</b>
Reclassified to other receivables	<b>2,667</b>	-	<b>2,667</b>
At 31 December 2009	<b>1,147</b>	<b>128,524</b>	<b>129,671</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**17. PROVISION FOR LIABILITIES (CONT'D.)**

	<b>Retirement Benefits RM'000</b>	<b>Warranties RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2009</b>			
Current	<b>131</b>	<b>64,052</b>	<b>64,183</b>
Non-current:			
Later than 1 year but not later than 2 years	<b>447</b>	<b>45,130</b>	<b>45,577</b>
Later than 2 years but not later than 5 years	<b>339</b>	<b>19,342</b>	<b>19,681</b>
Later than 5 years	<b>230</b>	<b>-</b>	<b>230</b>
	<b>1,016</b>	<b>64,472</b>	<b>65,488</b>
	<b>1,147</b>	<b>128,524</b>	<b>129,671</b>
<b>At 31 December 2008</b>			
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

**(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.

The amounts recognised in the balance sheet are determined as follows:

	<b>Group</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Present value of funded defined contribution obligations	<b>20,829</b>	22,896
Fair value of plan assets	<b>(22,250)</b>	(21,296)
Present value of unfunded defined contribution obligations	<b>(1,421)</b>	1,600
Unrecognised actuarial gain	<b>(99)</b>	(23)
Reclassified to other receivables	<b>2,667</b>	-
Obligations representing net liability	<b>1,147</b>	1,577

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**17. PROVISION FOR LIABILITIES (CONT'D.)****(a) Retirement Benefit Obligations (Cont'd.)**

The amounts recognised as operating expenses in the income statement are as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Current service cost	<b>2,693</b>	2,449
Interest cost	<b>1,030</b>	1,097
Expected return on plan assets	<b>(1,002)</b>	(842)
Net actuarial gain recognised during the year	<b>(4,845)</b>	(256)
Past service cost	-	(1,133)
Total (included in staff costs) (Note 24)	<b><u>(2,124)</u></b>	<u>1,315</u>

The actual return on the plan assets of the Group was RM787,655 (2008: RM744,459).

Principal actuarial assumptions used:

	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>6.1</b>	5.9
Expected return on plan assets	<b>4.8</b>	5.6
Expected rate of salary increases	<b><u>4.0 - 12.0</u></b>	<u>4.0 - 12.0</u>

**(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.



**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**18. DEFERRED TAXATION**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>(5,304)</b>	(8,704)
Recognised in the income statement (Note 27)	<b>397</b>	3,492
Acquisition of subsidiary (Note 4(a)(iv))	-	70
Restructuring of a subsidiary (Note 4(a)(v))	<b>2,898</b>	-
Exchange differences	<b>(2,617)</b>	(162)
At 31 December	<b>(4,626)</b>	(5,304)
Presented after appropriate offsetting as follows:		
Deferred tax assets	<b>(26,733)</b>	(21,331)
Deferred tax liabilities	<b>22,107</b>	16,027
	<b>(4,626)</b>	(5,304)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

**Deferred Tax Liabilities of the Group:**

	<b>Revaluation of property RM'000</b>	<b>Accelerated capital allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2009	<b>2,384</b>	<b>30,154</b>	<b>1,289</b>	<b>33,827</b>
Recognised in income statement	<b>(134)</b>	<b>1,156</b>	<b>2,328</b>	<b>3,350</b>
Restructuring of a subsidiary (Note 4(a)(v))	-	-	<b>(217)</b>	<b>(217)</b>
Exchange differences	-	<b>(1,263)</b>	<b>410</b>	<b>(853)</b>
At 31 December 2009	<b>2,250</b>	<b>30,047</b>	<b>3,810</b>	<b>36,107</b>
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	<b>2,384</b>	<b>30,154</b>	<b>1,289</b>	<b>33,827</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**18. DEFERRED TAXATION (CONT'D.)**

**Deferred Tax Assets of the Group:**

	<b>Unabsorbed Capital Allowances RM'000</b>	<b>Provision for Unabsorbed Liabilities RM'000</b>	<b>Losses RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2009	(1,206)	(22,508)	(2,760)	(12,657)	(39,131)
Recognised in income statement	510	(2,769)	297	(991)	(2,953)
Restructuring of a subsidiary (Note 4(a)(v))	-	3,115	-	-	3,115
Exchange differences	-	(1,184)	-	(580)	(1,764)
At 31 December 2009	<u>(696)</u>	<u>(23,346)</u>	<u>(2,463)</u>	<u>(14,228)</u>	<u>(40,733)</u>
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	<u>(1,206)</u>	<u>(22,508)</u>	<u>(2,760)</u>	<u>(12,657)</u>	<u>(39,131)</u>

Deferred tax assets have not been recognised in respect of the following items:

	<b>Group</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Unabsorbed tax losses	<b>271,946</b>	180,719
Unutilised capital and reinvestment allowances	<b>67,982</b>	62,595
	<u><b>339,928</b></u>	<u>243,314</u>

The availability of the unabsorbed tax losses and unutilised capital and reinvestment allowances for offsetting against future taxable profits of the Group are subject to no substantial changes in shareholdings of the Group and guidelines issued by Ministry of Finance. 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.)

- 31 DECEMBER 2009

### 19. SHORT TERM BORROWINGS

	Group	
	2009	2008
	RM'000	RM'000
<b>Secured</b>		
Short term loan	4,263	5,549
Revolving credits	10,195	-
Finance lease payables (Note 21)	175	790
Bank overdrafts	27,417	4,604
Long term loans payable within one year (Note 16)	2,815	1,315
	<u>44,865</u>	<u>12,258</u>
<b>Unsecured</b>		
Short term loan	24,702	154,501
Finance lease payables (Note 21)	676	16
Bank overdrafts	6,853	13,499
Trust receipts	18,320	31,028
Bankers' acceptances and revolving credits	175,922	289,535
Long term loans payable within one year (Note 16)	22,806	27,117
	<u>249,279</u>	<u>515,696</u>
Total short term borrowings	<u>294,144</u>	<u>527,954</u>

The secured short term borrowings of the Group for the year 2009 were secured by a floating charge over assets of certain subsidiaries, corporate guarantee of the Company and certain subsidiaries, directors' personal guarantee of a subsidiary and deposit and bank balances of certain subsidiaries (Note 10).

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 and bank balances 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	
	2009	2008
	%	%
Short term loan	3.0 - 4.1	2.8 - 6.9
Bank overdrafts	2.6 - 7.0	5.8 - 12.5
Trust receipts	3.8	4.4
Bankers' acceptances	2.4 - 3.0	3.5 - 4.1
Revolving credits	1.7 - 3.6	3.5 - 4.3
Long term loans	<u>0.6 - 11.0</u>	<u>2.3 - 16.9</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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### 20. PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	496,401	432,595	-	-
Bill payables	15,721	8,451	-	-
Sales tax accruals	67,002	62,437	-	-
Customer deposits	68,804	131,167	-	-
Related parties	265,197	297,595	-	-
Accruals	348,975	386,678	5,423	1,044
Provision for unutilised leave	13,194	11,631	-	-
Sundry payables	206,178	319,960	419	1,102
	<u>1,481,472</u>	<u>1,650,514</u>	<u>5,842</u>	<u>2,146</u>

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 RM47,367,000 (2008:RM42,521,000) being purchase considerations retained in respect of the acquisitions of equity interest in subsidiaries, which was payable upon satisfaction of certain conditions (Note 4(a) and (b)).

### 21. FINANCE LEASE PAYABLES

	Group	
	2009 RM'000	2008 RM'000
<b>Minimum lease payments:</b>		
Not later than 1 year	952	856
Later than 1 year and not later than 2 years	505	431
Later than 2 years and not later than 5 years	746	1,267
Later than 5 years	1,123	150
	<u>3,326</u>	<u>2,704</u>
Less: Future finance charges	(335)	(162)
Present value of finance lease liabilities	<u>2,991</u>	<u>2,542</u>
<b>Present value of finance lease liabilities:</b>		
Not later than 1 year	851	806
Later than 1 year and not later than 2 years	450	391
Later than 2 years and not later than 5 years	642	1,201
Later than 5 years	1,048	144
	<u>2,991</u>	<u>2,542</u>
<b>Analysed as:</b>		
Due within 12 months (Note 19)	851	806
Due after 12 months (Note 16)	2,140	1,736
	<u>2,991</u>	<u>2,542</u>

The range of interest rate at the balance sheet date for the lease liabilities ranges from 2.26% to 16.88% (2008: 2.26% to 16.88%).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 22. REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross dividend income from subsidiaries	-	-	<b>250,429</b>	35,775
Sales of goods and services	<b>10,718,057</b>	12,764,985	-	-
Commission receivable	<b>37</b>	45	-	-
Rental income from investment properties	<b>2,629</b>	4,409	-	-
Others	<b>138</b>	142	-	-
	<b>10,720,861</b>	12,769,581	<b>250,429</b>	35,775

### 23. OTHER INCOME

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Other Operating Income</b>				
Included in other operating income are:				
Gain on disposal of property, plant and equipment, investment properties, prepaid land lease payments and leased assets	<b>12,658</b>	20,485	-	-
Gain on disposal of investments	<b>6</b>	823	-	-
Net gain on foreign exchange				
- realised	<b>14,152</b>	18,647	-	-
Bad debts recovered	<b>183</b>	1,036	-	-
Rental income from operating leases	<b>1,556</b>	1,282	-	-
Commission	<b>53,955</b>	58,863	-	-
<b>(b) Investment Income</b>				
Investment income comprises:				
Gross dividend income on quoted equity investment:				
- outside Malaysia	<b>730</b>	-	-	-
- in Malaysia	<b>51</b>	60	-	-
Interest income:				
- subsidiaries	-	-	<b>1,990</b>	-
- others	<b>31,983</b>	51,291	<b>339</b>	265
Sundry income	-	-	-	1
	<b>32,764</b>	51,351	<b>2,329</b>	266

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**24. EMPLOYEE BENEFITS**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Staff costs</b>		
Wages and salaries	<b>557,525</b>	536,304
Social security costs	<b>4,658</b>	4,529
Provision for unutilised leave	<b>4,325</b>	2,282
Pension costs - defined contribution plan	<b>58,629</b>	58,497
Pension costs - defined benefit plans (Note 17(a))	<b>(2,124)</b>	1,315
Share options granted under ESOS	-	54,066
Other staff related expenses	<b>22,124</b>	54,343
	<b>645,137</b>	711,336
<b>(b) Directors' remuneration is as follows:</b>		
Salaries and other emoluments		
- the Company*	<b>1,830</b>	1,344
- subsidiaries	<b>21,737</b>	19,297
Pension costs - defined contribution plan		
- the Company*	<b>260</b>	214
- subsidiaries	<b>2,293</b>	2,092
Benefits-in-kind		
- the Company*	<b>237</b>	222
- subsidiaries	<b>2,809</b>	3,155
ESOS		
- the Company	-	444
- subsidiaries	-	4,320

\* The details of the salaries and other emoluments of a director of the Company are as follows:

	<b>Salaries and other emoluments</b>		<b>Benefits-in-kind</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
<b>Executive Director</b>				
Dato' Abdul Halim bin Harun	<b>2,090</b>	1,558	<b>116</b>	107

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 25. OTHER OPERATING EXPENSES

Included in the other operating expenses are:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' fees#				
- the Company's current year provision	676	706	676	706
- subsidiaries' current year provision	41	55	-	-
Rental of land and buildings	28,669	33,146	-	-
Lease rental and hire charges	17,176	19,640	-	-
Legal fees paid to				
- Lee Hishammuddin Allen & Gledhill*	445	112	-	25
- Others	1,868	2,365	-	-
Research and development	140	121	-	-
Auditors' remuneration:				
Statutory audit				
- Company's auditors	1,241	1,181	120	100
- non-principal auditors	1,633	1,533	-	-
Other services				
- Company's auditors	288	1,039	-	-
Bad debts written off	1,013	-	-	-
Goodwill written off	4,745	-	-	-
Net inventories written off	821	3,425	-	-
Provision for doubtful debts, net of reversals	9,102	2,761	-	-
Royalty	3,860	3,165	-	-
Loss on disposal of investment	-	465	-	-
Property, plant and equipment, investment properties and leased assets written off	3,180	350	-	-
(Reversal)/provision for impairment losses of:				
- leased assets	513	1,296	-	-
- other investments	(30,477)	36,621	-	-
- property, plant and equipment	1,969	2,951	-	-
- investments in subsidiaries	-	-	20,000	-
Amortisation of product development expenditure	1,575	426	-	-
Loss on disposal of property, plant and equipment, investment properties, prepaid land lease payments and leased assets	2,045	334	-	-
Net loss on foreign exchange				
- unrealised	3,607	21,136	-	-
Provision for liabilities, net of reversals	38,888	31,650	-	-

\* Lee Hishammuddin Allen & Gledhill is a legal firm in which Dato' Thomas Mun Lung Lee, a director of the Company who retired on 26 June 2008, is a partner.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Directors' fees:</b>				
Tan Sri Datuk Asmat bin Kamaludin	162	162	157	158
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	86	88	79	77
Tan Sri Dato' Mohamed Noordin bin Hassan	96	97	86	87
Dato' Ir. Lee Yee Cheong	49	97	43	86
Dato' Haji Darwis bin Mohd. Daid	28	82	26	77
Dato' Thomas Mun Lung Lee	-	41	-	39
Md. Yusof bin Hussin	-	47	-	43
Dr. Leong Chik Weng	101	87	90	79
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	75	29	75	29
Dato' Mohd. Nizam bin Zainordin	83	31	83	31
Dato' Siow Kim Lun @ Siow Kin Lin	37	-	37	-

Group	
2009 RM'000	2008 RM'000

#### Benefits-in-kind:

##### Non-executive director

Tan Sri Datuk Asmat bin Kamaludin	121	115
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The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Group		Company	
	2009	2008	2009	2008
<b>Executive director:</b>				
RM2,000,001 - RM2,500,000	1	1	-	-
<b>Non-executive directors:</b>				
Up to RM50,000	3	4	3	4
RM50,001 - RM100,000	4	5	5	5
RM100,001 - RM150,000	1	-	-	-
RM150,001 - RM200,000	1	1	1	1



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 26. FINANCE COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest expense				
- Bank borrowings	<b>61,061</b>	46,513	<b>4,355</b>	-
- Others	<b>1,021</b>	2,538	-	-
	<b>62,082</b>	49,051	<b>4,355</b>	-
Less: Interest expense capitalised				
- Assets-in-progress	<b>(27,283)</b>	(912)	-	-
Net interest expense	<b>34,799</b>	48,139	<b>4,355</b>	-

### 27. TAXATION

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax:				
Malaysian taxes	<b>187,722</b>	290,719	<b>26</b>	114
Overseas taxes	<b>12,402</b>	26,977	-	-
	<b>200,124</b>	317,696	<b>26</b>	114
Over provision in prior years	<b>(1,229)</b>	(316)	<b>(11)</b>	(1,535)
	<b>198,895</b>	317,380	<b>15</b>	(1,421)
Deferred taxation (Note 18):				
Relating to origination and reversal of temporary differences	<b>2,409</b>	7,004	-	-
Relating to reduction/increase in tax rates	<b>(320)</b>	628	-	-
Over provision in prior years	<b>(1,692)</b>	(4,140)	-	-
	<b>397</b>	3,492	-	-
	<b>199,292</b>	320,872	<b>15</b>	(1,421)

Domestic current income tax is calculated at the statutory tax rate of 25% (2008:26%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 27. TAXATION (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:

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
<b>Group</b>		
Profit before taxation	<b>846,504</b>	1,276,685
Taxation at Malaysian statutory rate of 25% (2008: 26%)	<b>211,626</b>	331,938
Effect of different tax rates in other countries	<b>349</b>	(5,707)
Tax incentives	<b>(221)</b>	(64)
Effect of changes in tax rates on deferred tax opening balance	<b>(320)</b>	227
Income not subject to tax	<b>(12,208)</b>	(29,271)
Expenses not deductible for tax purposes	<b>4,609</b>	51,141
Tax losses not available for offsetting against future taxable profits	<b>3,718</b>	5,254
Utilisation of previously unrecognised reinvestment allowances	<b>(8,852)</b>	(602)
Utilisation of previously unrecognised tax losses	<b>(79)</b>	(2,072)
Utilisation of previously unrecognised capital allowances	<b>(317)</b>	(1,930)
Deferred tax assets recognised	<b>(520)</b>	(1,789)
Deferred tax assets not recognised	<b>20,888</b>	25,395
Over provision of deferred tax in prior years	<b>(1,692)</b>	(4,140)
Over provision of income tax expense in prior years	<b>(1,229)</b>	(316)
Effect of share of profits of associated companies	<b>(16,460)</b>	(47,192)
Tax expense for the year	<b>199,292</b>	320,872
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	<b>321</b>	2,185
Utilisation of tax losses brought forward from previous years	<b>806</b>	17
<b>Company</b>		
Profit before taxation	<b>225,249</b>	33,676
Taxation at Malaysian statutory rate of 25% (2008: 26%)	<b>56,312</b>	8,756
Income not subject to tax	<b>(62,607)</b>	(9,250)
Expenses not deductible for tax purposes	<b>6,321</b>	608
Over provision of income tax expense in prior years	<b>(11)</b>	(1,535)
	<b>15</b>	(1,421)

During the year, the Company had fully utilised its credit in Section 108 accounts and had distributed single-tier dividends. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 31 December 2009 under the single-tier system.

## 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.

	2009	Group 2008
Net profit attributable to equity holders (RM'000)	<u>382,395</u>	<u>565,838</u>
Weighted average number of ordinary shares of RM0.50 in issue ('000)	<u>1,104,014</u>	<u>1,082,453</u>
Basic earnings per share of RM0.50 (sen)	<u>34.6</u>	<u>52.3</u>

### (b) Diluted

Diluted earnings per share of RM0.50 is calculated by dividing the 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 options. 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).

	2009	Group 2008
Net profit attributable to equity holders (RM'000)	<u>382,395</u>	<u>565,838</u>
Weighted average number of ordinary shares of RM0.50 in issue ('000)	<u>1,104,014</u>	<u>1,082,453</u>
Adjusted for:		
Assumed shares issued from the exercise of options at no consideration ('000)	<u>8,914</u>	<u>18,157</u>
	<u>1,112,928</u>	<u>1,100,610</u>
Diluted earnings per share (sen)	<u>34.4</u>	<u>51.4</u>

The fair value of the shares in respect of the assumed exercise of options of RM5.91 (2008: RM6.15) for the year 2009 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 RM5.91 (2008: RM6.15) was assumed as issue of shares at no consideration.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 29. DIVIDENDS

	Amount		Net Dividend Per Share RM0.50	
	2009 RM'000	2008 RM'000	2009 Sen	2008 Sen
In respect of the financial year ended 31 December 2007				
- Final dividend of 28% less 26% taxation	-	112,082	-	10.4
In respect of the financial year ended 31 December 2008				
- First interim dividend of 30% less 26% taxation	-	120,813	-	11.1
- Second interim dividend of 20% less 25% taxation	-	82,063	-	7.5
- Final dividend of 6.5% less 25% taxation and single tier dividend of 17.5%	<b>123,484</b>	-	<b>11.2</b>	-
In respect of the financial year ended 31 December 2009				
- First interim single-tier dividend of 12%	<b>66,642</b>	-	<b>6.0</b>	-
	<b>190,126</b>	314,958	<b>17.2</b>	29.0
Payable:				
In respect of the financial year ended 31 December 2009				
- Second interim single-tier dividend of 10%	<b>56,204</b>	-	<b>5.0</b>	-
	<b>246,330</b>	314,958	<b>22.2</b>	29.0

At the forthcoming Annual General Meeting of the Company, a final single-tier dividend in respect of the current financial year of 18% or 9.0 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM101.6 million (2008: a franked dividend of 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 RM123.5 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 2010.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**30. COMMITMENTS****(a) Capital Commitments**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for:		
- land and buildings	<b>78,893</b>	117,187
- equipment, plant and machinery	<b>289,398</b>	416,456
- others	<b>2,812</b>	32,662
	<b>371,103</b>	566,305
Authorised but not contracted for:		
- land and buildings	<b>79,182</b>	70,250
- equipment, plant and machinery	<b>369,981</b>	157,685
- others	<b>89,487</b>	56,410
	<b>538,650</b>	284,345
Total capital commitments	<b>909,753</b>	850,650

**(b) Commitments Under Non-Cancellable Operating Leases**

Amount payable within 1 year	<b>1,464</b>	1,576
Amount payable later than 1 year but not more than 2 years	<b>1,095</b>	2,880
Amount payable later than 2 years but not more than 5 years	<b>2,085</b>	6,427
Amount payable after 5 years	<b>12,836</b>	36,096

**(c) Contingent Liabilities****Unsecured**

Bank guarantee issued to third parties	<b>19,928</b>	86,702
Performance guarantee issued to third parties	<b>180,670</b>	118,330
Letter of credit issued	<b>21,171</b>	12,402
Corporate guarantee issued to third parties	<b>61,680</b>	51,877
	<b>283,449</b>	269,311

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

31. SEGMENT REPORTING

(a) Business Segments

2009

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>							
External sales	8,347,260	1,171,989	486,478	692,991	22,143	-	10,720,861
Inter-segment sales	4,105	19,030	23,473	18,016	13,632	(78,256)	-
Total revenue	8,351,365	1,191,019	509,951	711,007	35,775	(78,256)	10,720,861
<b>RESULTS</b>							
Segment results	625,840	89,272	22,918	59,292	18,185	-	815,507
Unallocated corporate expenses							(37,606)
Profit from operations							777,901
Finance costs							(34,799)
Investment income							32,764
Share of profits of associates	86,146	-	601	2,061	(18,170)	-	70,638
Income tax expense							(199,292)
Profit after taxation							647,212
Minority interests							(264,817)
Net profit for the year							382,395

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

31. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2009 (Cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Consolidated RM'000
<b>ASSETS AND LIABILITIES</b>						
Segment assets	2,973,411	948,173	546,734	2,415,795	39,283	6,923,396
Investments in associates	762,051	-	11,827	660,312	19,486	1,453,676
Tax assets	21,207	4,421	102	2,349	2,876	30,955
Other assets	3,600	-	-	50,800	139,181	193,581
Unallocated corporate assets	-	-	-	-	224,088	224,088
Consolidated total assets						<b>8,825,696</b>
Segment liabilities	969,752	297,713	94,364	675,219	3,937	2,040,985
Tax liabilities	48,718	31,249	4,479	9,194	199	93,839
Other liabilities	-	62,050	134,077	1,454,845	17,933	1,668,905
Unallocated corporate liabilities	-	-	-	-	102,199	102,199
Consolidated total liabilities						<b>3,905,928</b>
<b>OTHER INFORMATION</b>						
Capital expenditure	82,663	79,703	41,464	383,827	13,241	600,898
Depreciation and amortisation of assets	96,457	75,977	10,526	44,308	8,295	235,563
Amortisation of intangible assets and impairment loss	-	513	1,519	2,001	24	4,057
Other non-cash expenses	28,447	(285)	1,905	(11,938)	6,465	24,594

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

31. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2008

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>							
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
<b>RESULTS</b>							
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 costs							(48,139)
Investment income							51,351
Share of profits of associates	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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

31. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2008 (Cont'd.)

**ASSETS AND LIABILITIES**

	Automotive RM'000	Equipment RM'000	Manufacturing & Engineering RM'000	Oil & Gas RM'000	Others RM'000	Consolidated RM'000
Segment assets	2,933,365	968,899	405,037	1,642,321	118,242	6,067,864
Investments in associates	705,058	-	11,602	718,196	33,265	1,468,121
Tax assets	12,809	4,778	504	4,821	2,632	25,544
Other assets	3,600	24	-	17,078	65,592	86,294
Unallocated corporate assets	-	-	-	-	180,218	180,218
Consolidated total assets						<u>7,828,041</u>
Segment liabilities	963,079	257,539	81,870	366,253	43,654	1,712,395
Tax liabilities	74,092	45,782	3,353	8,201	530	131,958
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 and amortisation of assets	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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 31. SEGMENT REPORTING (CONT'D.)

#### (b) Geographical Segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
<b>2009</b>			
Total revenue from external customers	9,880,149	840,712	10,720,861
Profit from operations	723,664	54,237	777,901
Segment assets	4,664,422	2,258,974	6,923,396
Capital expenditure	221,864	379,034	600,898
<b>2008</b>			
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

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
	2009 %	2008 %	
<b>(a) Subsidiaries Incorporated in Malaysia</b>			
<b>Subsidiaries of the Company:</b>			
UMW Corporation Sdn. Bhd.	100	100	Provision of full corporate, administrative, professional, security services and financial support to its subsidiaries and associates. 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	100	Investment holding.
UMW Malaysian Ventures Sdn. Bhd.	100	100	Investment holding.
UMW Oil & Gas Berhad	100	100	Investment holding.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Subsidiaries Incorporated in Malaysia (Cont'd.)</b>			
<b>Subsidiaries of:</b>			
<b>UMW Corporation Sdn. Bhd.,</b>			
<b>UMW Petropipe (L) Ltd.,</b>			
<b>UMW Australia Ventures (L) Ltd.,</b>			
<b>UMW Malaysian Ventures Sdn. Bhd.,</b>			
<b>UMW Oil &amp; Gas Berhad</b>			
UMW Oil & Gas Corporation Sdn. Bhd.	<b>100</b>	-	Investment holding.
UMW Industries (1985) Sdn. Bhd.	<b>100</b>	100	Distribution of industrial and material handling equipment and related spares.
UMW (East Malaysia) Sdn. Bhd.	<b>100</b>	100	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
UMW (Sarawak) Sdn. Bhd.	<b>100</b>	100	Dormant.
UMW Equipment Sdn. Bhd.	<b>100</b>	100	Distribution of industrial and heavy equipment and related spares in Peninsular Malaysia.
UMW Advantech Sdn. Bhd.	<b>100</b>	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.	<b>100</b>	100	Distribution of industrial and power equipment and related parts.
UMW Offshore Investment (L) Ltd.	<b>100</b>	100	Investment holding.
UMW Linepipe (L) Ltd.	<b>66.1</b>	51	Investment holding.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

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**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Subsidiaries Incorporated in Malaysia (Cont'd.)</b>			
UMW Drilling Co. Ltd.	<b>100</b>	100	Leasing of oil and gas assets including hydraulic workover units and semi-submersible drilling rigs.
UMW Oilfield International (L) Ltd.	<b>60</b>	60	Supply of oil and gas products and services and investment holding.
UMW Oilpipe Services (Turkmenistan) Ltd.	<b>51</b>	51	Provision of tubular inspection, repair and maintenance activities.
UMW China Ventures (L) Ltd.	<b>100</b>	100	Investment holding.
U-Insurance Sdn. Bhd.	<b>100</b>	100	Insurance agency services.
UMW Autocorp Sdn. Bhd.	<b>100</b>	100	Investment holding.
Kelang Pembena Kereta2 Sendirian Berhad	<b>100</b>	100	Dormant.
KPKK Realty Sdn. Bhd.	<b>100</b>	100	Investment in real properties.
UMW Equipment Rental Services Sdn. Bhd.	<b>100</b>	100	Dormant.
UMW Lubricant International Sdn. Bhd. (Formerly known as UMW Kentruck Sdn. Bhd.)	<b>100</b>	100	Investment and holding of real property.
U-TravelWide Sdn. Bhd.	<b>100</b>	100	Provision of travel agency services.
UMW Aero Industries Sdn. Bhd.	<b>100</b>	100	Investment and holding of real property.
Tracpart Centre Sdn. Bhd.	<b>100</b>	100	Investment and holding of real property.
U E-Technologies Sdn. Bhd.	<b>100</b>	100	Provision of information technology services.
Otomobil Sejahtera Sdn. Bhd.	<b>100</b>	100	Importing CBU vehicles and acting as a dealer for UMW Toyota Motor Sdn. Bhd.
UMW Auto Parts Sdn. Bhd.	<b>100</b>	100	Investment holding.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Subsidiaries Incorporated in Malaysia (Cont'd.)</b>			
UMW Vehicle Components Sdn. Bhd.	<b>100</b>	100	Dormant.
UMW Fabritech Sdn. Bhd.	<b>70</b>	70	Providing sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipment and tubes.
UMW Oilfield International (M) Sdn. Bhd.	<b>100</b>	100	Supply of oil and gas products and services.
Lubetech Sdn. Bhd.	<b>70</b>	70	Blending and packaging of "Pennzoil" and other branded lubricants.
UMW Petrodril (Malaysia) Sdn. Bhd.	<b>99</b>	99	Provision of workover operations for the Oil and Gas Industry.
UMW JDC Drilling Sdn. Bhd.	<b>85</b>	85	Provision of drilling operations for the Oil and Gas Industry.
Inobel Sdn. Bhd.	<b>100</b>	100	Marketing and rendering of information technology services.
KYB-UMW Steering Malaysia Sdn. Bhd.	<b>52.1</b>	52.1	Manufacture and assembly of power steering pumps.
KYB-UMW Malaysia Sdn. Bhd.	<b>52.1</b>	52.1	Manufacture and assembly of vehicle shock absorbers.
UMW-PNSB Development Sdn. Bhd.	<b>51</b>	51	Investment holding and property development.
UMW Technology Management Sdn. Bhd.	<b>51</b>	51	Investment and holding of real property.
UMW Management Systems Sdn. Bhd.	<b>51</b>	51	Investment and holding of real property.
UMW Properties Sdn. Bhd.	<b>51</b>	51	Investment and holding of real property.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Subsidiaries Incorporated in Malaysia (Cont'd.)</b>			
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.
UMW Australia Ventures Sdn. Bhd.	100	-	Investment holding.
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	Dormant.
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	100	Provision of threading and repair services for oil country tubular goods.
UMW Naga Two (L) Ltd.	100	100	Investment holding.
UMW Naga Three (L) Ltd.	100	100	Investment holding.
UMW India Ventures (L) Ltd.	70	65	Investment holding.
UMW Sher (L) Ltd.	42	39	Provide contract drilling and engineering services for the Oil and Gas Industry and leasing of drilling rigs and vessels.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Subsidiaries Incorporated in Malaysia (Cont'd.)</b>			
UMW Standard Drilling Sdn. Bhd.	<b>100</b>	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.	<b>60</b>	60	Provide complete turnkey solutions of Low Temperature Co-Fired Ceramic and Thick Film Technology products for the global electronic industry.
MK Autocomponents Limited	<b>51</b>	51	Investment holding.
MK Automotive Industries Limited	<b>55</b>	50	Investment holding.
UMW Pressure Control Sdn. Bhd.	<b>51</b>	-	Supply specialty snubbing, hot tapping technology and wellhead freezing equipment and services to the Oil and Gas Industry and manufacturing of oil & gas related products.
Synergistic Generation Sdn. Bhd.	<b>60</b>	-	Total power solution provider.
SG Power Systems Sdn. Bhd.	<b>60</b>	-	General contractor, sales and services equipment.
SG Engineering & Services Sdn. Bhd.	<b>60</b>	-	Engineering works and general trading.
<b>(b) Subsidiaries Incorporated in Singapore</b>			
UMW Equipment & Engineering Pte. Ltd.	<b>100</b>	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.	<b>100</b>	100	Investment holding.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(b) Subsidiaries Incorporated in Singapore (Cont'd.)</b>			
Vina Offshore Holdings Pte. Ltd.*	<b>70</b>	70	Investment holding.
PFP Singapore Pte. Ltd.*	<b>75</b>	45	Sale of piping materials.
UMW Deepnautic Pte. Ltd. (Formerly known as Offshore Fabrication Pte. Ltd.)*	<b>35.7</b>	70	Fabrication of oil and gas steel structures.
Helmsion Engineering Pte. Ltd.*	<b>42</b>	42	Manufacture of industrial cranes and related products and services.
Offshore Construction Services Pte. Ltd.	<b>60</b>	52.5	Shipbuilding, repairing, marine construction and offshore equipment.
UMW Standard 1 Pte. Ltd.	<b>100</b>	51	Ownership, construction and operation of drilling rigs and related activities.
UMW Standard 3 Pte. Ltd.	<b>100</b>	51	Ownership, construction and operation of drilling rigs and related activities.
UMW Singapore Ventures Pte. Ltd.	<b>100</b>	-	Investment holding.
<b>(c) Subsidiary Incorporated in Papua New Guinea</b>			
UMW Niugini Limited*	<b>94.4</b>	94.4	Distribution of heavy equipment and related spares.
<b>(d) Subsidiary Incorporated in Solomon Islands</b>			
UMW Solomon Islands Limited*	<b>85</b>	85	Distribution of heavy equipment and related spares.



**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(e) Subsidiaries Incorporated in People's Republic of China</b>			
UMW Oilfield Services (Tianjin) Co., Limited	<b>100</b>	100	Provision of repair services for oil country tubular goods.
UMW Industrial Trading (Shanghai) Co., Ltd.*	<b>100</b>	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
UMW Industrial Equipment (Shanghai) Co., Ltd.*	<b>100</b>	100	Provision of after-sales and repair services for equipment.
Vision Fleet Equipment Leasing (Shanghai) Co., Ltd.*	<b>100</b>	100	Rental and fleet management services mainly for products distributed by the UMW Group of China.
PPF (Shenzhen) Piping Materials Co., Ltd.*	<b>75</b>	45	Import and export of piping materials.
UMW Coating Technologies (Tianjin) Co., Ltd.	<b>100</b>	100	Provision of oil and gas related equipment and pipe coating services.
<b>(f) Subsidiaries Incorporated in Thailand</b>			
UOT (Thailand) Limited	<b>58.8</b>	58.8	Provision of repair services for oil country tubular goods.
<b>(g) Subsidiaries Incorporated in Republic of Vietnam</b>			
Vietnam Offshore Fabrication & Engineering Co. Ltd.*	<b>70</b>	70	Fabrication of oil and gas steel structures, and provision of offshore maintenance, hook-up and commissioning services.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(g) Subsidiaries Incorporated in Republic of Vietnam (Cont'd.)</b>			
UMW Equipment Systems (Vietnam) Company Limited*	<b>100</b>	100	Provision of service for equipment installation, maintenance, repair, overhaul and lease of equipment in industrial, construction and traffic sectors.
<b>(h) Subsidiaries Incorporated in Myanmar</b>			
UMW Machinery Limited*#	<b>100</b>	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited*#	<b>100</b>	100	Provision of after-sales services for equipment and maintenance and repair of equipment.
<b>(i) Subsidiary Incorporated in British Virgin Islands</b>			
UMW ACE (BVI) Ltd.	<b>70</b>	60	Investment holding.
<b>(j) Subsidiaries Incorporated in Australia</b>			
PFP Holdings Pty. Ltd.	<b>100</b>	60	Investment holding.
PFP (Aust) Holdings Pty. Ltd.	<b>100</b>	60	Investment holding.
PFP (Int) Holdings Pty. Ltd.	<b>100</b>	60	Dormant.
PFP (Aust) Pty. Ltd.	<b>100</b>	60	Stockist and sales of pipes and fittings to the Oil and Gas Industry.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**32. SUBSIDIARIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(k) Subsidiaries Incorporated in India</b>			
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	51	Manufacture of mechanical jacks, radiator caps and sheet metal components.
Castwel Autoparts Private Limited*#	51	51	Manufacture of aluminium gravity/pressure die casting, aluminium alloys and machine components.
Jaybee Drilling (P) Ltd.*#	42	39	Onshore drilling activities in India.
UMW Dongshin Motech Private Limited (Formerly known as Dongshin Motech Private Limited)*#	33	25	Original equipment manufacture of stamped automotive upper body parts.
<b>(l) Subsidiary Incorporated in Taiwan</b>			
PFP Taiwan Co., Ltd.*	75	45	Wholesale of metal building materials and international trade.
<b>(m) Subsidiary Incorporated in Bahrain</b>			
UMW Middle East Ventures Holding W.L.L.	100	-	Investment holding.

\* Subsidiaries audited by firms of Chartered Accountants other than Ernst & Young.

# The financial year end of the above subsidiaries is 31 March.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 32. SUBSIDIARIES (CONT'D.)

(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Subsidiary Incorporated in Brunei</b>			
UMW Orient Sdn. Berhad	100	100	Distribution of industrial and heavy equipment and related spares in Brunei. The company has ceased operations.
<b>(b) Subsidiary Incorporated in the Philippines</b>			
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.
<b>(c) Subsidiary Incorporated in Thailand</b>			
UMW Auto Parts (Thailand) Co., Ltd.*	100	100	Manufacture of natural fibre composite material for automotive interior trim production.

### 33. JOINTLY CONTROLLED ENTITIES

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Jointly Controlled Entity Incorporated in Singapore</b>			
Tubulars International Pte. Ltd.*	30	30	Investment holding.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 33. JOINTLY CONTROLLED ENTITIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(b) Jointly Controlled Entity Incorporated in Hong Kong</b>			
Lubritech International (Holdings) Limited	60	60	Investment holding.
<b>(c) Jointly Controlled Entity Incorporated in India</b>			
United Seamless Tubulaar Private Limited*#	31	32.5	Manufacturing of seamless tubular green pipes.
<b>(d) Jointly Controlled Entity Incorporated in China</b>			
Lubritech Limited	60	-	Produce and operate lubrication oil business and import and wholesale of lubrication oil and lubrication grease.

Other than United Seamless Tubulaar 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 subsidiaries is 31 March.

### 34. ASSOCIATED COMPANIES

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Associated Companies Incorporated in Malaysia</b>			
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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**34. ASSOCIATED COMPANIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(a) Associated Companies Incorporated in Malaysia (Cont'd.)</b>			
Perodua Sales Sdn. Bhd.	<b>38</b>	38	Marketing and distribution of motor vehicles, related spare parts and other related activities.
Strategic Auto Sdn. Bhd.	<b>38</b>	38	Importers and distributors of motor vehicles and spare parts, provision of after-sales services and other related activities.
Perodua Stamping Sdn. Bhd.	<b>38</b>	38	Dormant.
UMW Toyotsu Motors Sdn. Bhd.	<b>30</b>	30	Sales and after-sales services of Toyota brand of motor vehicles, parts and other relevant products.
Toyota Capital Malaysia Sdn. Bhd.	<b>30</b>	30	Hire purchase financing, factoring and trade confirming.
Toyota Capital Acceptance Malaysia Sdn. Bhd.	<b>30</b>	30	Hire purchase financing, debt factoring and money lending.
Seabanc Kredit Sdn. Bhd.	<b>30</b>	30	Hire purchase financing, leasing and debt factoring.
Toyota Lease Malaysia Sdn. Bhd.	<b>30</b>	30	Provision of lease financing.
PFP (Malaysia) Sdn. Bhd.	<b>40</b>	24	Supply of materials to the marine process and petro-chemical industries.
Arcus Malaysia Sdn. Bhd.	<b>40</b>	24	Trading in stainless steel pipes, flanges and fittings.
UMW Pennzoil Distributors Sdn. Bhd.	<b>50</b>	50	Marketing, selling and distribution of "Pennzoil" branded lubricants.
Lada Motors Sendirian Berhad	<b>40</b>	40	Dormant.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**34. ASSOCIATED COMPANIES (CONT'D.)**

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(b) Associated Companies Incorporated in People's Republic of China</b>			
Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.	<b>49</b>	40	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd.	<b>34.3</b>	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.	<b>32.4</b>	25	Manufacture of spiral welded pipes for the Oil and Gas Industry.
Jiangsu Tube-Cote Shuguang Coating Co., Ltd.	<b>28.1</b>	20	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Wuxi Seamless Oil Pipe Co., Ltd.	<b>22.3</b>	22.3	Design and manufacture of seamless OCTG and line pipes for the Oil and Gas Industry.
<b>(c) Associated Company Incorporated in India</b>			
Multicoat Surfaces Private Limited	<b>22.5</b>	22.5	Undertake research in the field of new generation coatings and solutions.
<b>(d) Associated Company Incorporated in Thailand</b>			
Oil-Tex (Thailand) Company Limited	<b>20</b>	20	Provision of logistic services for the Oil and Gas Industry.
<b>(e) Associated Company Incorporated in British Virgin Islands</b>			
First Space Holdings Limited	<b>22.3</b>	22.3	Investment holding.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 34. ASSOCIATED COMPANIES (CONT'D.)

Company	Group Effective Interest		Principal Activities
	2009 %	2008 %	
<b>(f) Associated Company Incorporated in the Cayman Islands</b>			
WSP Holdings Limited	22.3	22.3	Investment holding.
<b>(g) Associated Company Incorporated in Brunei Darussalam</b>			
Premium Tubular Services Sdn. Bhd.	50	50	Under liquidation.

Other than UMW Toyotsu Motors Sdn. Bhd., Toyota Capital Malaysia 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 13 January 2009, UMW Malaysian Ventures Sdn. Bhd., a wholly-owned subsidiary of the 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"), from Encik Azhari bin Ngadenan @ Adnan, for a cash consideration of RM10 million. On completion of the acquisition, SGSB became a 60%-owned subsidiary of the Group.
- (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), was allotted 1,000,000 ordinary shares of par value INR10 each, representing 20% equity interest in United Seamless Tubular 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 the Group. 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 (Malaysia) Sdn. Bhd., a 99%-owned subsidiary of the Group, 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 Petropipe (L) Ltd., a wholly-owned subsidiary of the Group, 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.



35. SIGNIFICANT EVENTS (CONT'D.)

- (e) On 13 May 2009, Lubritech International (Holdings) Limited, a 60%-owned entity of the Group, received the certificate for the establishment of a new 100%-owned subsidiary company known as Lubritech Limited ("LL") in Xinhui, Jiangmen, People's Republic of China ("PRC"). The intended principal activity of LL is manufacturing and processing of lubricants in the PRC. The registered capital of LL is USD13,200,000.
- (f) On 8 July 2009, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Group, was allotted 852,020 ordinary shares of par value USD1 each in MK Automotive Industries Limited ("MKAIL") for a total cash consideration of USD852,020. This had the effect of increasing UMWC's equity interest in MKAIL from 50% to 55%. On the same day, MKAIL was allotted 6,126,720 ordinary shares of par value INR10 each in Dongshin Motech Private Limited ("DMPL"), for a total cash consideration of INR61,267,200. Consequent to the allotment, MKAIL's equity interest in DMPL increased from 50% to 60%. Following the above allotments, both MKAIL and DMPL became subsidiaries of the Group.
- (g) On 23 July 2009, UMW Sher (L) Ltd., a subsidiary in the UMW Group, entered into a Share Subscription and Share Sale Agreement with Sheikh Saif bin Hashil bin Rashid Al-Maskery and Nabeel bin Abdullah bin Mohamed Al-Riyami for the subscription and acquisition of a total of 1,105,000 ordinary shares of par value RO1.00 each, representing 65% of the issued and paid-up share capital in Arabian Drilling Services LLC for a total cash consideration of RO1,140,568 (equivalent to approximately USD2,965,477).
- (h) On 18 September 2009, UMW Petropipe (L) Ltd. ("UMW Petropipe"), a wholly-owned subsidiary of the Group, entered into a Share Sale Agreement with MK India Ventures (Labuan) Pte. Ltd. for the acquisition of 2,691,000 ordinary shares of USD1.00 each, representing 10% of the total issued and paid-up share capital of UMW India Ventures (L) Ltd. ("UMWIV"), for a total cash consideration of USD18.2 million (equivalent to approximately RM63.16 million). On completion of the acquisition, UMW Petropipe's equity interest in UMWIV increased from 65% to 75%.
- (i) On 29 September 2009, the Group received a confirmation on the de-registration of UMW Oilfield Commerce Beijing Co. Ltd., a dormant subsidiary of the Group.
- (j) Approval from the Securities Commission ("SC") for the Company to implement the proposed listing of its wholly-owned subsidiary, UMW Oil & Gas Berhad, expired on 30 September 2009. The Company did not seek a further extension of time from the SC to implement the proposed listing because it intends to revise its listing scheme to include a number of entities that were previously greenfield investments (which were not included in the original listing scheme) that have now achieved profitability in their operations. The Company will consider and, if relevant, make an announcement at the appropriate time on its intention to submit a fresh listing proposal to the SC.
- (k) On 19 October 2009, Vina Offshore Holdings Pte. Ltd. ("Vina"), a 70%-owned subsidiary of the Group, entered into a Share Sale Agreement ("SSA") and a Shareholders' Agreement with SWG International Holdings Pte. Ltd. ("SWG") to establish a joint venture through UMW Deepnautic Pte. Ltd. ("UDPL") (formerly known as Offshore Fabrication Pte. Ltd.). Under the SSA, Vina would dispose 245,000 ordinary shares, representing 49% of the paid-up share capital of UDPL to SWG for a total cash consideration of SGD419,382 (equivalent to approximately RM1,014,192). Upon completion of the disposal, Vina's equity interest in UDPL was diluted from 100% to 51%.
- (l) On 22 October 2009, UMW Singapore Ventures Pte. Ltd., a wholly-owned subsidiary of the Group, entered into an Equity Joint Venture Contract with Sichuan Jinyang Antisepsis Engineering Co. Ltd. and Elite International Investment (HK) Limited for the establishment of a joint venture company to be known as Sichuan Haihua Petroleum Steelpipe Co. Ltd. ("SHPS"). UMW's total cost of investment for a 40% equity interest in SHPS is RMB39.33 million.

### 35. SIGNIFICANT EVENTS (CON'TD.)

- (m)** On 27 October 2009, UMW Petropipe (L) Ltd. ("UMW Petropipe") together with its 70%-owned subsidiary, Vina Offshore Holdings Pte. Ltd. ("Vina"), proposed to undertake an internal restructuring exercise involving the transfer 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 capital in Offshore Construction Services Pte. Ltd. ("OCS") to UMW Singapore Ventures Pte. Ltd. ("UMW SV"), a wholly-owned subsidiary of UMW Petropipe for a cash consideration of SGD5,600,000 (equivalent to approximately RM13.61million) and SGD4,987,524 (equivalent to approximately RM12.12million), respectively. Upon completion of the internal restructuring, OCS became a 60%-owned subsidiary of the Group.
- (n)** On 30 November 2009, UMW Naga Two (L) Ltd., UMW Naga Three (L) Ltd. and UMW Malaysian Ventures Sdn. Bhd., all are wholly-owned subsidiaries of the Group, entered into three separate Share Purchase Agreements with Singapore Drilling AS ("SDA") for the acquisition of SDA's equity interests of 49% in UMW Standard 1 Pte. Ltd. ("Std 1"), 49% in UMW Standard 3 Pte. Ltd. ("Std 3") and 15% in UMW Standard Drilling Sdn. Bhd. ("USD"), respectively, for a total consideration of USD46.5 million (equivalent to approximately RM157.26 million). Upon completion of the acquisitions, Std 1, Std 3 and USD became wholly-owned subsidiaries of the Group.
- (o)** On 30 November 2009, UMW Oil & Gas Berhad acquired the entire issued and paid-up capital of UMW Oil & Gas Corporation Sdn. Bhd., comprising two ordinary shares of RM1.00 each for a total cash consideration of RM2.00.
- (p)** On 7 December 2009, UMW Malaysian Ventures Sdn. Bhd., a wholly-owned subsidiary of the Group, together with UMW Deepnautic Pte. Ltd. (formerly known as Offshore Fabrication Pte. Ltd.), a 51%-owned subsidiary of Vina Offshore Holdings Pte. Ltd., which is in turn a 70%-owned subsidiary of the Group, established a joint venture company known as UMW Deepnautic Sdn. Bhd. ("UMWD"), with a shareholding structure of 80% and 20%, respectively. The Group's 80% share of the initial paid-up capital is RM400,000. The principal activity of UMWD is the provision of installation and construction services to the Offshore Oil & Gas sector.
- (q)** On 14 December 2009, UMW through its wholly-owned subsidiaries, UMW Oil & Gas Berhad and UMW Petropipe (L) Ltd., received the Registration/Renewal Certificate with limited liability from the Ministry of Industry & Commerce of the Kingdom of Bahrain for the incorporation of a 100%-owned subsidiary company known as UMW Middle East Ventures Holding W.L.L. ("UMWMEV"). The initial paid-up capital of UMWMEV is BD250,000.

### 36. SUBSEQUENT EVENTS

- (a)** On 2 February 2010, UMW Oil & Gas Berhad, a wholly-owned subsidiary of the Group, acquired the entire issued and paid-up capital of UMW Australia Ventures Sdn. Bhd., comprising two ordinary shares of RM1.00 each for a total cash consideration of RM2.00.
- (b)** On 11 February 2010, UMW Singapore Ventures Pte. Ltd., a wholly-owned subsidiary of UMW Petropipe (L) Ltd., which is in turn wholly-owned by the Group, established a wholly-owned subsidiary known as UMW Marine and Offshore Pte. Ltd. ("UMWMO") in the Republic of Singapore. The intended principal activity is investment holding and the provision of various management services to its affiliate companies. The initial paid-up capital of UMWMO is SGD1.00 divided into 1 ordinary share of SGD1.00.
- (c)** On 3 March 2010, the Group received the certificate for the establishment of Sichuan Haihua Petroleum Steelpipe Co. Ltd. in Guanghan county, Sichuan Province in the People's Republic of China, from the China authorities.

37. SIGNIFICANT RELATED PARTY DISCLOSURES

**Group**

(a) Transactions by UMW Holdings Berhad and its subsidiaries with the associates of the Group are as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2009 RM'000	2008 RM'000
UMW Industries (1985) Sdn. Bhd.	)	Lease rental	<b>6,299</b>	6,063
	)			
	)			
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	)	Sale of shock absorbers	<b>66,503</b>	69,465
	)			
U-TravelWide Sdn. Bhd.	)	Air tickets	<b>5,374</b>	13,507
	)			
	)			
UMW Toyota Motor Sdn. Bhd. and subsidiaries	) Perodua ) Group*	Sale of goods and services	<b>256,826</b>	473,164
	)			
	)	Purchase of goods and services	<b>452,451</b>	788,965
	)			
UMW Industrial Power Sdn. Bhd.	)	Sale of goods and services	<b>1,291</b>	2,640
	)			
	)			
UMW Advantech Sdn. Bhd.	)	Sale of goods and services	<b>24,805</b>	19,100
	)			
UMW JDC Drilling Sdn. Bhd.	Japan Drilling Co. Ltd. and its subsidiaries	Purchase of goods and services	<b>13,775</b>	11,322
		Bare boat charter	<b>32,240</b>	13,490
Lubetech Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd.	Sale of goods and services	<b>72,094</b>	80,495

\* Comprises Perusahaan Otomobil Kedua Sdn. Bhd., its subsidiaries and associates.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

- 31 DECEMBER 2009

**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 and associates are as follows:

<b>UMW &amp; Its Subsidiaries</b>	<b>Transacting Parties</b>	<b>Nature of Transactions</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	Toyota Motor Corporation, Japan and its subsidiaries	Sale of goods and services	<b>889,938</b>	1,018,473
		Purchase of goods and services	<b>3,501,154</b>	3,971,022
	UMW Toyotsu Motors Sdn. Bhd.	Sale of goods	<b>130,246</b>	155,597

(c) Transactions by the Group with the corporate shareholders of KYB-UMW Malaysia Sdn. Bhd. are as follows:

<b>UMW &amp; Its Subsidiaries</b>	<b>Transacting Parties</b>	<b>Nature of Transactions</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Kayaba Industry Co. Ltd., Japan and its subsidiaries	Sale of goods and services	<b>13,390</b>	17,123
		Purchase of goods and services	<b>5,181</b>	7,881
	Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	<b>77</b>	541
		Purchase of goods and services	<b>34,990</b>	42,128

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

- 31 DECEMBER 2009

### 37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

#### (d) Compensation of Key Management Personnel

	2009 RM'000	2008 RM'000
Salaries and wages	14,958	12,071
Provision for unutilised leave	734	882
Pension costs - defined benefit plan	1,767	1,508
ESOS expense	-	3,100
Other staff related costs	1,939	1,627
	<u>19,398</u>	<u>19,188</u>

### 38. FINANCIAL INSTRUMENTS

#### (a) Forward Exchange Contracts

	2009 RM'000	2008 RM'000
Japanese Yen	34,725	8,316
United States Dollar	332,216	419,240
Euro	595	41,283
Swedish Krone	3,639	2,550
Singapore Dollar	-	19,599
Thai Baht	1,642	1,196

All the forward exchange contracts mature within one year.

#### (b) Interest Rate Swap and Cross Currency Swap

- (i) an interest rate swap with a notional principal of USD48 million that fixed the obligation of a jointly controlled entity in India to pay interest at a fixed rate of 7.04% per annum. The interest rate swap will mature on 30 September 2015.
- (ii) an interest rate swap with a notional principal of USD20 million that fixed the obligation of a jointly controlled entity in India to pay interest at a fixed rate of 9.05% per annum with embedded options that provide protection on USD/INR rate within a specified range on the principal repayment. The interest rate swap will mature on 31 October 2012.
- (iii) a cross currency swap that entitles a jointly controlled entity in India to convert JPY3,425 million to INR1,405.6 million and fixed the entity's obligation to pay interest at a fixed rate of 9.35% per annum. The cross currency swap will mature on 31 March 2020.
- (iv) a cross currency swap that entitles the Company to convert RM500 million to USD143.3 million and swaps the Company's obligation to pay interest at a fixed rate of 4.55% per annum to a USD floating rate. The cross currency swap will mature on 15 September 2014.

38. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Swap and Cross Currency Swap (Cont'd.)

- (v) an interest rate swap with a notional principal of USD15 million that fixed the obligation of a subsidiary in India to pay interest at a fixed rate of 7.1% per annum with embedded options that provide protection on USD/INR rate within a specified range on the principal repayment. The interest rate swap will mature on 14 July 2014.
- (vi) an interest rate swap with a notional principal of USD3.25 million that fixed the obligation of a subsidiary in India to pay interest at a fixed rate of 6.8% per annum with embedded options that provide protection on USD/INR rate within a specified range on the principal repayment. The interest rate swap will mature on 31 July 2014.
- (vii) an interest rate swap with a notional principal of USD7 million that fixed the obligation of a subsidiary in India to pay interest at a fixed rate of 7.2% per annum with embedded options that provide protection on USD/INR rate within a specified range on the principal repayment. The interest rate swap will mature on 31 July 2014.

The above contracts were entered into to minimise the entity's exposure to losses resulting from adverse fluctuations in interest rates and foreign currency exchange rates on the existing bank loans.

(c) Fair Values

- (i) The aggregate net fair value of financial assets and liabilities which are not carried at fair value on the balance sheets of the Group are represented as follows:

	Carrying Amount 2009 RM'000	Fair Value 2009 RM'000	Carrying Amount 2008 RM'000	Fair Value 2008 RM'000
<b>Financial Assets</b>				
Other financial assets				
- shares quoted outside Malaysia	50,705	62,242	16,992	18,752
- unquoted shares	1,775	*	5,287	*
- cash fund	141,100	141,100	64,014	64,014
	<u>141,100</u>	<u>141,100</u>	<u>64,014</u>	<u>64,014</u>
<b>Financial Liabilities</b>				
Finance lease payable	2,991	2,991	2,542	2,542
	<u>2,991</u>	<u>2,991</u>	<u>2,542</u>	<u>2,542</u>

\* It is not practical to estimate the fair value of the shares owing to the absence of quoted market prices.

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 value of all other financial assets and liabilities as at 31 December 2009 are not materially different from their fair values.

38. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Fair Values (Cont'd.)

- (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 2009 are:

	<b>Nominal/ Notional Amount 2009 RM'000</b>	<b>Net Fair Value 2009 RM'000</b>	<b>Nominal/ Notional Amount 2008 RM'000</b>	<b>Net Fair Value 2008 RM'000</b>
Forward foreign exchange contracts	<b>372,817</b>	<b>1,343</b>	492,183	(12,779)
Cross currency swaps	<b>493,537</b>	<b>4,489</b>	448,005	6,858
Interest rate swaps	<b>123,739</b>	<b>(15,988)</b>	82,992	(12,627)

- (iii) The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) **Quoted shares**

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business day on the balance sheet date.

(ii) **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.

(iii) **Forward foreign exchange contracts, cross currency swaps and interest rates swaps**

The fair values of forward foreign exchange contracts, cross currency swaps and interest rate swaps are the estimated amount which the Group would expect to pay or receive on the termination of the outstanding position arising from such contracts. At the end of the financial year, the fair values of such contracts are determined by reference to the current forward foreign exchange rate or interest rate for contracts of similar maturity and risk profiles.

38. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Foreign Exchange Risk

The unhedged financial assets and financial liabilities of the Group as at 31 December 2009 that are not denominated in functional currencies are as follows:

	Held in Non-Functional Currencies									
	Trade		Other		Cash and		Trade		Other	
	Receivables	Receivables	Investments	Balances	Payables	Payables	Borrowings	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
Ringgit Malaysia	-	3	-	-	-	199	-	168	-	26
United States Dollar	44,630	1,259	12,190	7,470	104,097	8,832	9,087	12,358	20,572	-
Singapore Dollar	-	-	-	102	8,832	-	-	-	-	-
Euro	5,545	43	-	270	2,643	-	-	-	113	-
Swedish Krone	-	29	-	-	5	-	-	-	-	-
Sterling Pound	-	-	-	-	157	-	-	-	-	16
Chinese Renminbi	-	-	-	-	566	-	-	195	-	-
Japanese Yen	2,963	83	-	67	1,154	-	-	-	-	-
Thai Baht	8	-	-	-	1,630	-	-	26	-	-
Australian Dollar	306	-	-	-	-	-	-	-	-	152
Indonesia Rupiah	-	53	-	39	-	-	-	4	-	-
Indian Rupee	-	-	-	-	-	-	-	122	-	-
Others	-	-	-	-	6	-	-	-	-	-



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 2008 that are not denominated in functional currencies are as follows:

	Held in Non-Functional Currencies									
	Trade		Other		Cash and		Trade		Other	
	Receivables	Receivables	Investments	Balances	Payables	Payables	Payables	Borrowings	Payables	Others
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	12,384	51,646	423	4,147	-	-	-
Singapore Dollar	390	3,660	-	24	20	637	-	-	-	-
Euro	4,423	-	-	36	126	-	-	-	-	-
Swedish Krone	-	-	-	497	29	-	-	-	-	-
Sterling Pound	-	-	-	19	179	-	-	-	-	-
Chinese Renminbi	-	-	-	19	-	-	-	-	-	-
Japanese Yen	809	5	-	577	18,890	479	-	-	-	-
Thai Baht	19	-	-	-	284	-	-	-	-	-
Australian Dollar	-	-	-	2,284	-	-	-	-	-	-
Indonesia Rupiah	-	-	-	40	-	-	-	-	-	-
Indian Rupee	-	-	-	-	416	-	-	-	-	-
Others	-	-	-	-	4	-	-	-	-	-

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# 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-Eighth 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, 17 June 2010 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below -

RESOLUTIONS			FOR	AGAINST
<b>ORDINARY BUSINESS</b>				
ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS	-	Ordinary Resolution 1		
DECLARATION OF DIVIDEND	-	Ordinary Resolution 2		
RE-ELECTION OF DR. LEONG CHIK WENG PURSUANT TO ARTICLE 123 OF THE ARTICLES OF ASSOCIATION	-	Ordinary Resolution 3		
RE-ELECTION OF DATO' SIOW KIM LUN @ SIOW KIM LIN PURSUANT TO ARTICLE 109 OF THE ARTICLES OF ASSOCIATION	-	Ordinary Resolution 4		
APPROVAL OF DIRECTORS' FEES	-	Ordinary Resolution 5		
RE-APPOINTMENT OF AUDITORS AND AUTHORISING DIRECTORS TO FIX THEIR REMUNERATION	-	Ordinary Resolution 6		
<b>SPECIAL BUSINESS</b>				
PROPOSED RENEWAL OF/NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS	-	Ordinary Resolution 7		
PROPOSED RENEWAL OF SHARE BUY-BACK	-	Ordinary Resolution 8		

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 \_\_\_\_\_ 2010.

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.

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.

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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

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